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Achieving Farm Ownership in South Dakota through the Farm Ownership Program of the Farmers Home Administration

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ACHIEVING FARM OWNERSHIP IN SOUTH DAKOTA THROUGH THE FARM OWNERSHIP PROGRAM OF THE FARMERS HOME ADMINISTRATION

by

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Sixty South Dakota farmers, thirty 1940 Farm Ownership program clients and thirty non-clients, willingly contributed the detailed personal and financial information necessary in making this type of study.

The author's wife, Helen, made an invaluable contribution by cheerfully spending innumerable hours typing and proofreading the manuscript during its preparation. In final form, the manuscript was stenciled by the author's wife and Mrs. Gladys Erion.

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INTRODUCTION

The desire for secure tenure in ownership of land has given rise to the associated ideal of the family farm. Implementation of this ideal has been one aspect of political and governmental agricultural policy throughout our national life. Although federal agricultural policies and legislation have not always been consistently directed toward this end, Congress has frequently extended federal assistance in one form or another in support of this ideal. Federal assistance for this purpose has most often come during periods of agricultural distress when demands upon Congress for such assistance have been great. Currently, the Farmers Home Administration's Farm Ownership loan program represents, thus far, a direct, continuing federal effort to establish a pattern for achieving security of tenure through ownership of the family-type farm.

The Farm Ownership loan program has two objectives as it was conceived by Congress in the Bankhead-Jones Farm Tenant Act of 1937. The first objective is "to promote more secure occupancy of farms and farm homes" and the second is "to correct the economic instability resulting from some present forms of farm tenancy."1/ The objectives of the program were to be

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1/ The above objectives are quoted from the statement of the purposes of the act, "The Bankhead-Jones Farm Tenant Act," Public Law No. 210 - 75th Congress, Chapter 517, 1st Session, House of Representatives, Bill No. 7562. The program was known as the Tenant Purchase or TP program of the Farm Security Administration until 1946 when the Farm Security Administration was superseded by the Farmers Home Administration and the name changed to the Farm Ownership loan program.

achieved by making real estate credit available to qualified, competent farm tenants, share-croppers, and farm laborers for the purchase of family-type farms under terms and interest rates which, theoretically at least, are adapted to the farm income situation and pattern as it is altered by changing price and weather conditions.

The proceeds from this type of loan may be used, in addition to the purpose of purchasing family-sized farm units, for such purposes as refinancing existing indebtedness on family-type farms, building construction and repair, soil conservation needs and for other purposes consistent with improving and developing an adequate-sized family farm unit. Loans for these purposes are titled farm-development or farm-enlargement loans.

The size of farm-ownership loan that can be made in any county is limited to what has been determined by the Secretary of Agriculture to be the average value of an efficient family-sized farm unit for that county.[2] The amount which can be loaned for purchasing any given farm unit is based upon the earning capacity value of the farm in question as determined by a qualified farm appraiser. The county FHA advisory committee certifies a reasonable value for the farm unit after they have inspected it and given consideration to the appraised value and the cost of any improvements necessary to making the farm unit livable and operable. This reasonable value, if within loan size limits, becomes the purchase price if the

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2/ A family-type farm as defined by FHA regulations is "a farm which an average farm family can operate successfully without employing outside labor, except during seasonal peak-load periods. Such a farm must have the capacity to yield income on the basis of long-time prices which will maintain an average farm family according to acceptable living standards, pay annual operating expenses, pay for and maintain necessary livestock and farm and home equipment and pay off the loan." (FHA Instruction 421.1).

seller will sell at that price and the loan amount if purchased under the Farm Ownership program.[3/]

Farm-ownership loans are of two types -- direct and insured. Direct loans are, at the present time, available only to Veterans of World War II. They are made at 100 percent of the certified value of the farm unit. Insured loans are made on up to 90 percent of the certified value with the applicant providing 10 percent or more in cash or equity.

Farm-ownership loans, both insured and direct, are amortized over a 40-year repayment period. Currently, direct loans are made at a 4 percent interest rate and insured loans at 3 percent interest plus a 1 percent mortgage insurance charge. The size of scheduled loan repayments vary directly with the size of loan and, by agreement, they may be variable. Variable repayment agreements permit the borrower to make scheduled repayments in advance when farm income is high with the privilege of paying less than the scheduled amount when farm income is low. In any one year, the borrower is not expected to pay more than the reasonable amount, which may be less than the scheduled amount, as determined on a farm income less family and farm expense and needed capital expenditure basis. Thus, the borrower does not become delinquent except by refusing to make reasonable loan repayments according to the farm income level. He is expected, under the variable repayment agreement, to make advance payments whenever the level of farm income permits.

The unique features of this type of loan are farm-and-home planning

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3/ Loans are limited to $12,000 or to the average value of an efficient family-sized farm unit, whichever is the lesser amount. Loans in excess of $12,000 may be made only upon approval of the FHA Administrator (FHA Instruction 401.2).

and supervision of borrowers.[4] Hence, the expression "supervised loan" is often used in connection with farm-ownership loans. Supervision and farm-and-home plans were made integral aspects of the loaning process.

The borrower has two written versions of the farm-and-home plan. One is an annual plan which sets up a budget for the current year and the other is a long-term plan which outlines goals and farm management plans for several years ahead. The plan worked out by the borrower in cooperation with the county FHA supervisor, serves as a basis for borrower supervision. The supervisor, in addition to loan processing and farm-and-home planning with the borrower, gives on-the-farm technical and financial guidance as necessary and reviews the borrower's operations at the end of each year.

The applicant for a farm-ownership loan must satisfy certain eligibility requirements. The chief qualifications are: the applicant must be an American citizen; he must be unable to obtain mortgage credit from other public or private credit sources at reasonable rates (not to exceed 5 percent) and terms; he must have enough relatively unencumbered livestock and equipment to enable him to efficiently operate the farm which he desires to purchase; he must be approved by the county FHA advisory committee; the unit he desires to purchase must meet FHA housing and building construction specifications and it must be classified as a family-sized farm unit; and he must agree to comply with FHA regulations concerning variable repayments, farm-and-home planning, non-purchase or non-rental of additional land, and, in general, to cooperate with the program and the supervision.

4/ Farm-and-home plans are also developed in conjunction with other types of Farmers Home Administration loans: Production and subsistence, farm housing, disaster, and water facilities loans.

A. STATEMENT OF THE PROBLEM

The problem stated as a broad social question is: Has the Farm Ownership loan program been achieving its objectives of reducing farm tenancy and promoting security of tenure through family farm ownership?[5/]

Available evidence indicates that the program may not have been very effective in reducing farm tenancy either nationally or in a high-tenancy area such as South Dakota where 53 percent of the farmers were tenants in 1940.

From its inception in 1937 through June 30, 1950, the Farm Ownership loan program made 58,395 direct and insured loans in the United States. This figure compared with 1,442,419 farm tenants (26.8 percent of all farmers) in the United States in 1950 indicates something of the magnitude of the job to be done if the program is to be an effective agent in reducing farm tenancy.

In South Dakota, 728 farm purchase loans had been made up to January 1, 1952; but in 1950, there were still 20,197 farm tenants comprising 30.4 percent of all farmers in the state. The program accounted for only 554 (4.53 percent) of 12,228 farm ownerships achieved in South Dakota during the 1940's. These data suggest that the Farm Ownership

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5/ Security of tenure through family farm ownership is relative to economic conditions and the degree of security to be found in other forms of tenure. Society formulates the tenure goals which its members seek: the forms of property and tenure with which people associate feelings of security. It is possible for people to associate feelings of security with forms of property other than land, such as stocks, bonds, insurance, etc.; and forms of tenure other than ownership of land, such as long-term leases; but since society and a generality of farmers tend to associate security of tenure with family farm ownership, the ideal of family farm ownership will be considered as a given social datum for the purpose of this study. It follows then that any credit program dedicated to the achievement of this societal goal, family farm ownership, must also promote security of tenure insofar as economic conditions permit.

loan program has had a limited effect in reducing tenancy in a high-tenancy area such as South Dakota.

The program has been definitely limited in this respect by congressional appropriations. Appropriations for farm-ownership loans varied from 10 million dollars for the fiscal year ending June 30, 1938, as authorized with the enactment of the Bankhead-Jones Farm Tenant Act, to the maximum amount (50 million dollars) permissible under the Act. This maximum appropriation has been made only four times (1941, 1942, 1946, and 1947) during the life of the program. Inasmuch as the nation, through Congress, has limited the Farm Ownership loan program by restricting the amount of loanable funds with which it operates, the effect of the program in reducing farm tenancy would be, consequently, limited to a corresponding degree.

If farm tenancy is to be appreciably reduced from its present level, and if young farmers are to obtain the kind of credit they need for achieving farm ownership early in life, this type of credit program on an expanded scale may be necessary in addition to other sources of farm purchase credit. Whether the Farm Ownership loan program should be expanded depends upon answers to questions concerning economic conditions, the demand and need for this type of credit program, and the effectiveness of this credit program as a means for achieving family farm ownership.

Assuming a need and demand for this type of loan program in addition to other sources of farm purchase credit, the question may be raised as to whether current economic conditions warrant an expanded Farm Ownership loan program. If the Farm Ownership loan program adheres strictly to the principle of lending no more than the amounts determined by earning capacity appraisals, the program is self-limiting relative to economic conditions. It would make few loans, regardless of the need and demand situation, when land prices are high or inflated because market values would exceed appraised values. When land prices are low, it would make loans to the extent of funds delegated to it for that purpose.

The demand for this type of loan program is indicated by the fact that there were, at the national level, 1,114,281 applications for farm-ownership loans from 1938 through 1948.

The degree of need for this type of credit program depends upon the tenure goals of society. This is a public policy problem which can be settled only in the "political arena." If the tenure goal of society is anything approximating 100 percent family-farm ownership, then we have not attained the proportion of farm ownership which approaches this goal; and if other sources of farm purchase credit do not supply sufficient credit for this purpose, then society will have to provide the means for achieving this tenure goal.

The final question, not so easily disposed of in determing whether the Farm Ownership loan program should be expanded, is: How effective is this credit program as a means for achieving family farm ownership?

An answer to this question was sought in the literature on agricultural credit. Four studies were found which reported results of investigations of the Farm Ownership loan program. None of these studies dealt directly with the question of how effective the program is as a means for achieving family farm ownership. However, results reported by these studies will be reviewed because of their close relationship to this question.

B. REVIEW OF LITERATURE

The Farm Ownership loan program was appraised at the national level in 1949 by Banfield. The appraisal statements were based upon data furnished to the author by the Farmers Home Administration. Banfield concludes that:

> Ten years' experience suggests that the Bankhead-Jones Farm Tenant Purchase program must be redirected if it is to serve a useful purpose in an era of high employment, rising national income, and rapid technical progress in agriculture. Many Tenant Purchase (TP) loans have been too small to make efficient use of family labor or to yield a 'minimum-adequate' income when farm prices are not extremely high; indeed, some borrowers may have reduced their incomes by accepting loans. The loans have not been larger because local opinion would not tolerate much improvement in the status of tenants, sharecroppers, and laborers who were 'on the government'. Within the limits thus prescribed, it has frequently not been possible, even with the useful devices of farm planning and supervision, to create what can be called adequate units. A large increase in the amount of the average loan seems plainly called for even though land prices decline from their current high levels.6/

In Louisiana, Alexander conducted a study of farm-ownership loans in which two groups of clients were compared. Each group consisted of 40 clients who had obtained loans between 1937 and 1943 and who were still active on the program. Data for the study were obtained from appropriate Farm Security records and directly from the clients. Most of Alexander's conclusions pertained to the comparison of the two groups of clients. However, several generalized conclusions were stated as follows:

> The data on gains in net worth show that the new owners have made substantial progress during the relatively short period the F.S.A. land program has been in operation.

6/ Banfield, Edward C., "Ten Years of the Farm Tenant Purchasing Program," Journal of Farm Economics, Volume 31, August, 1949, p. 469.

.....Tenants purchasing farms by means of F.S.A. loans prior to 1943 had progressed on the road to debt free farm ownership and most of them should be able to complete the payments on their farms in due time.

In general, the families have a higher standard of living than they did as tenants, especially since they have better homes and more conveniences. They are more substantial citizens since they have a greater opportunity to participate in programs dealing with schools, churches, and cooperative organizations.

As a whole it appears that the tenant purchase program is making a contribution toward a more permanent and satisfactory agriculture in the State of Louisiana.7/

Wilcox, in 1946, conducted a survey of 50 Farm Ownership program clients in Iowa. Among other conclusions reached by Wilcox, the following seemed to have a bearing upon the question of how effective this credit program is as a means for achieving family farm ownership:

A higher proportion of the large loans in the sample were paid in full than were the small loans.

Having to locate in new communities caused some dissatisfaction among F O borrowers. Too small farms also was a source of discontent.

Incomes received by F O borrowers during the period 1939 through 1946 enabled the borrowers to make rapid repayment of their loans.....

Certain borrowers in the sample grasped the opportunity provided by an F O loan and FHA advisory assistance to expand their operations. The average borrower increased his production slowly, if at all.

Costs rose faster than income on the average when both were measured in 1941 terms. This pointed up the problem of resource allocation facing men moving to ownership status. The process of resource allocation and production expansion involved decisions for which the men were relatively untrained by previous experience. While the study demonstrated the problem, the period of time the borrowers had operated with

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7/ Alexander, Willie Mae, "Farm Ownership in Louisiana Financed under the Bankhead-Jones Farm Tenant Act," Louisiana Experiment Station Bulletin, Number 397, Baton Rouge, Louisiana, August, 1945, p. 26.

F O loans was too short to show how long they required to master it.

The F O borrowers in the sample were ahead of scheduled repayments as a group. They were encouraged by FHA to repay rapidly, and the borrowers visited by the author expressed a personal desire to pay ahead rapidly to provide a safety margin for the rougher times they believed lay ahead.

The estimate of FHA officials that F O borrowers raised their level of living after receiving an F O loan was verified by the group of borrowers active in 1946 who were active also in 1941.[8/]

In 1945, the Bureau of Agricultural Economics, at the request of the Farm Security Administration, conducted a survey to determine the attitudes of borrowers toward the Farm Ownership program. The Bureau of Agricultural Economics reported its findings in January, 1946, under the title of "Attitudes toward FSA Tenant Purchase Program--A Survey of TP Borrowers and Supervisors in the South and Midwest," and labeled "For Administrative Use Only." Paul V. Maris, Administrator of the Farm Security Administration, reported the results of the BAE survey in his book, The Land is Mine.[9/] Some of the conclusions are:

> Fewer than 1 in 26 borrowers express dissatisfaction with the TP program.
>
> More than 9 in 10 are satisfied with their purchases.
>
> Ninety percent of borrowers are on or ahead of schedule in their loan payments.
>
> Only 25 percent of Midwest and 7 percent of Southern borrowers spontaneously mention the farm and home management

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8/ Wilcox, Robert W., "The Farmers Home Administration Farm Ownership Program in Iowa," an unpublished doctoral dissertation, Iowa State College, Ames, Iowa, 1947. pp. 88-92.

9/ Maris, Paul V., The Land is Mine, Agricultural Monograph No. 8, issued November, 1950, United States Department of Agriculture, Farmers Home Administration, (U. S. Government Printing Office,) p. 298.

plan in discussing changes they have made in their farm and living practices.

The F and H plan is adequately understood by less than half of the Midwest, by about one in seven Southern borrowers.

Few borrowers are aware of the long-time (farm and home) plan.

Those borrowers with only fair or inadequate knowledge of the F and H plan tend to disregard it.

Three-fourths of the Midwest and four-fifths of the Southern borrowers have changed their farming methods since entering the TP program.

Improved methods of soil cultivation is the most frequent change in the Midwest; increased use of livestock is change most often mentioned in the South.

Most borrowers say supervision is helpful and like for the supervisor to call upon them.

Borrowers who favor supervision also tend to be those who give no evidence of disregard for their F and H plans, who think the plan is helpful and who attribute changes in their farming operations to influence of the plan.

Borrowers who receive frequent supervisory visits tend also to be those who regard supervision as helpful, who have changed their farming practices since becoming TP clients and who give no evidence of disregard for their F and H plans.

The F and H plan is not prominent in the thinking of 25 percent of supervisors when they describe in detail how the TP program works in their localities.

One supervisor in four indicates that the F and H plan is not mutually developed between borrower and supervisor.

Three-fourths of the supervisors believe borrowers follow their F and H plans but nearly half the borrowers either give evidence of some disregard for their plans or say they have no plans.

Most supervisors think borrowers like supervision. So they do in the majority of cases but not to the extent supervisors believe.

More Southern supervisors give evidence of some degree of disesteem of their borrowers than is the case in the Midwest.

One in six supervisors has an autocratic or "bossman" attitude toward borrowers.

Borrowers in counties with autocratic type supervisors tend to regard supervision as not helpful, especially in the South.10/

Summarizing these four sets of conclusions, it appears that borrowers under the Farm Ownership program have made progress in accumulating capital, raising their level of living, and increasing the amount of their income and community participation. It appears, on the other hand, that some loans may have been too small for purchasing "adequate-sized" farm units or for yielding a "minimum-adequate" income, that resource allocation during the transition from tenancy to farm ownership may not have been very efficient, and that farm-and-home planning and borrower supervision may have been relatively ineffective in securing efficient use of resources and borrower adoption of improved farm practices.

C. THE NEED FOR THIS STUDY

Evidence from this review of literature seems to indicate that the Farm Ownership loan program is an effective means by which family farm ownership can be achieved. However, all of these studies are based upon internal evidence--data on the same group of clients at two different points in time. None of these studies compared client progress with that of non-clients in evaluating the Farm Ownership loan program as a means for achieving family farm ownership.

Specifically, the literature does not contain any studies which compare the attained social and economic status of Farm Ownership loan clients with what their status might have been had they pursued alternative

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10/ Ibid., pp. 314-315.

courses of action (alternatives in tenure or farm purchase financing) or with the status of farmers who, in fact, did pursue alternative courses of action. Nor are there any studies which attempt to "follow-up" the client after his loan was repaid to determine his subsequent progress.

The unanswered question is: What changes in capital structure, income, levels of living, community participation, and farm practices have other farmers with similar social and financial circumstances experienced during the same specified time period in achieving family farm ownership through alternative means and how do these changes compare with those experienced by clients on the Farm Ownership loan program?

It appeared that a study in which a comparison of this kind is made would be useful in evaluating the Farm Ownership loan program as a means for achieving family farm ownership.

The need for a study of public credit and agricultural credit conditions in general in South Dakota and other North Central states was recognized at North Central Land Tenure Committee Conferences held at Madison, Wisconsin, during July of 1951. The conferees came to the tentative conclusion that the type of credit made available through the Farmers Home Administration was the kind of credit needed to fit the credit needs of the young farmer. In view of this, it was the opinion of the group that this type of credit program should be investigated to determine its economic feasibility, its effectiveness in establishing tenants as farm owners, and its adaptability in meeting credit needs of young farmers.[11]

The Brookings Institution of Washington, D. C., considered the question of the effectiveness of public assistance in achieving family farm ownership important enough to give financial support to a study of the Farm Ownership loan program in South Dakota. A memorandum of agreement for conducting such a study was made between the Brookings Institution and South Dakota State College.[12]

D. THE OBJECTIVE OF THIS STUDY

The generalized purpose of the study proposed in the memorandum of agreement was to accumulate and analyze evidence on the value and effectiveness of the Farm Ownership loan program as a means for achieving ownership of family-type farms in South Dakota. Delimitation of this broad purpose to a specific objective to be achieved in this study seemed advisable. Therefore, the major objective of this thesis is to determine the value and effectiveness of the Farm Ownership loan program as a means for achieving family farm ownership by comparing

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11/ As reported by Dr. Max Myers, member of the North Central Land Tenure Committee, who attended these conferences. Myers recognized the need for an investigation of farm credit needs and the question of public assistance in achieving farm ownership several years ago during his study of farm tenure processes in South Dakota. See: Myers, Max, "Farm Tenure Processes in South Dakota," an unpublished doctor's dissertation, Cornell University, Ithaca, New York, February, 1950, p. 52.

12/ The memorandum of agreement and the project statement under which this study was conducted are contained in Appendix A. This project entitled, "An Analysis of the Farmers Home Administration Farm Ownership Loan Program in South Dakota," was conducted as sub-project D of South Dakota State College Experiment Station Research Project No. 166, "Attaining, Maintaining, and Transferring Farm Ownership."

In May, 1953, it was transferred to Research Project No. 240, "Improving the Farm Credit Situation in South Dakota."

the social and economic progress of a representative group of Farm Ownership program clients with that of a representative group of non-clients. In view of the need for a study of the program which employed "follow-up" and comparative analysis techniques, it seemed desirable to use these techniques in achieving the purpose of this study. Moreover, a comparative analysis of social and economic progress of clients with that of non-clients would have the effect of indicating something of the value and effectiveness of the Farm Ownership loan program as one means in contrast with alternative means for achieving family farm ownership.

Information which this type of study should furnish is necessary in formulating basic agricultural credit policies. The lessons in agricultural credit which can be learned from such an analysis should be useful to other public and private lending institutions in re-evaluating their lending programs. Moreover, this information and these lessons in agricultural credit may suggest revisions and improvements in the lending policies of the Farm Ownership loan program.

CHAPTER II

PROCEDURES AND METHOD OF STUDY

The procedures and the method of study employed in achieving the objective of this study will be explained in this chapter. The objective was to determine the value and effectiveness of the Farm Ownership loan program as a means for achieving family farm ownership by comparing the social and economic progress of a representative group of Farm Ownership clients with that of a representative group of non-clients.

Four operations appeared necessary in achieving this objective: (1) selection of the social and economic factors to serve as bases for making group comparisons; (2) selection of two representative groups--a client group and a non-client group--for comparison; (3) selection of classification methods to be employed in comparing the two groups; and (4) comparison of the two groups. The first three operations are procedural. They constitute the subject matter of this chapter. The last operation, comparing the two groups, is analytical and will be conducted in succeeding chapters.

A. SELECTION OF SOCIAL AND ECONOMIC FACTORS

An information schedule was designed in which to record data solicited directly from respondents which could be used in measuring social and economic progress in the transition from tenancy to farm ownership and progress after ownership was achieved.13/ Along with

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13/ See Appendix B for a sample form of the information schedule.

personal data and other miscellaneous information, the prime social and economic data which the schedule was designed to obtain were income, net worth, level of living, family protection (insurance), community participation, acreages rented and owned, land use, and farm management practice data for as many years as practicable.

The social and economic factors enumerated above appeared, as a matter of judgment, the ones most likely to reflect the effects of changes in tenure.

Personal data were considered necessary in establishing some degree of sociological comparability between the two groups. The two groups are examined in this respect in Chapter III. Socio-personal data do not constitute an ideal basis for determining sociological comparability because they tell nothing about the social status of the individual. Direct measurement of social status was not considered practical for the purposes of this study. However, the extent of community participation is one indication of social status.

The extent of community participation should increase after shifting from tenancy to ownership. It is expected that stability in tenure and location through farm ownership will result in greater interest and activity in community affairs.

It is anticipated that farm ownership will encourage better land use in terms of reduced acres in grain crops and employment of more recommended and approved farm practices. This result is expected because it is generally believed that farm owners, as a matter of self-interest, will employ better farm and soil conserving practices than farm tenants.

Income and net worth are expected to reflect tenure changes because the landlord's rental share minus the expenses involved in ownership should accrue to the farmer when he shifts from tenancy to full or part ownership of his farm. If the farm unit purchased is of optimum size for efficient resource utilization, income and capital accumulations will be, with careful farm and money management, larger than they were prior to achieving farm ownership;and capital accumulations will be roughly proportional to the length of the period of ownership.14/

Increased income and capital accumulations are expected to result in higher levels of living and increased amounts and items of family protection (insurance).

It is true that these factors will also reflect the effects of many other forces; such as, weather, prices, soil types and conditions, managerial ability, etc. However, these effects are fairly well equalized in comparing two groups of farmers, provided that: (1) each of the two groups have had common background of social and financial circumstances; (2) each group has farmed under similar conditions during the same period of time; and (3) the tenure shift from farm

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14/ If farm size and resource utilization are less than optimum, income has very likely been sacrificed for the security and social status associated with farm ownership. Cf. Roland R. Renne, Land Economics, Harper & Brothers, New York, 1947, p. 454. This type of situation is one in which capital rationing is said to exist. Capital rationing is any situation in which the rate of return on additional capital invested would be greater than the interest rate on capital; but the farmer, largely because of economic uncertainty, extreme caution, or inability to borrow, does not obtain or invest the additional capital and, thereby, fails to realize the income possible with added capital investments. Cf. T. W. Schultz, Agriculture in an Unstable Economy, McGraw-Hill Book Co., Inc., New York, 1945, p. 203.

tenancy to full or part ownership is the major differentiating factor.

Implied here and in the objective for this study is the concept of a statistically controlled experiment. In statistically controlled experiments, one factor or a group of factors are held constant while other factors or groups of factors are allowed to vary. The observed results are then assumed to have a causal relationship with the variable factor or factors. In this study, the non-client or control group will serve as the constant (the normal situation) while the client group will represent the variable (the special situation) engendered by the Farm Ownership loan program. The differential between the two groups in social and economic progress should be indicative of the value and effectiveness of the Farm Ownership program as a means for achieving ownership of family-type farms.

B. SELECTION OF THE SAMPLE

The selection of individuals for group comparisons in this type of study should be such that the following three criteria are satisfied. First, the client group should be representative of the population of all paid-up Farm Ownership loan clients in South Dakota. Second, both client and non-client groups should represent similar social and financial circumstances at the same initial point in time. Third, the period of farm ownership and its location in time should be identical for both groups. These criteria constitute the characteristics of an ideal sample; but in this study, it was not possible to adhere strictly to these criteria. Rather, they were only roughly approximated in establishing the client and control groups for comparative analysis.

Measurement of social and economic progress caused by or related to tenure changes implies a time interval of sufficient length that the cause could have logically produced the effect. Therefore, the longest possible time interval of farm ownership is the one best suited to this study. This time interval requirement coincides with the requirement that this study should have a "follow-up" character; that is, it should "follow-up" the client after his loan was repaid. The longest possible time interval of farm ownership for the purpose of this study is limited to fourteen years, the period (1938 through 1951) during which the Farm Ownership program has operated in South Dakota.

The volume of detailed information to be obtained from each case in both groups seemed to indicate drawing a small sample for the purpose of comparative analysis.

(1) Client Group Selection. A random sample of all Farm Ownership program clients did not seem appropriate to the purpose of this study. Such a sample would include a large proportion of currently active clients, and it would, thereby, void the "follow-up" feature of this study. Random sampling of inactive (paid-up) clients could have been employed except that it would introduce problems of stratifying the time periods. This would unduly complicate the sampling procedure and introduce unequal time periods which could easily result in subsamples too small to have statistical significance. Both sampling procedures mentioned above would fail to yield an adequate number of clients who had a time interval of farm ownership of consistent and satisfactory length for the purpose of comparative analysis of social and economic progress.

The solution to the problem of sample selection appeared when it was noted that the 1940 group of clients was relatively large in number, had an average loan size which was reasonably representative of the average size of all paid-up loans in South Dakota, and most of them were concentrated in six scattered counties east of the Missouri River. This particular group of clients presented an opportunity to examine farm-ownership clients over a period of time, 12 years, sufficiently long to reflect both a rather complete loan experience and a "follow-up" period during which the effects of achieving farm ownership have had an opportunity to affect the farm family and its farming operations.

The group of 1940 clients located east of the Missouri River were almost equally distributed between the central and eastern areas and fairly well scattered from north to south. They were, thus, reasonably well distributed geographically according to types of agriculture found in the eastern one-half of South Dakota. This group was composed of 46 paid-up and four active clients. The location by counties of the 50 cases in this gross sample is shown in Figure 1. Usable schedules were obtained from 30 (26 paid-up and four active) of these 50 clients in the gross sample.

The mean size and the range in loan size for the population of paid-up farm-ownership loans, the gross sample, and the net sample are given in Table 1. The mean loan size of the net sample, $7,284, is biased downward by $498 (6.4 percent) from the mean of the paid-up loan population, $7,782. However, the range in loan size, $9,560, for the net sample is $1,240 less than the range, $10,800, for the population of paid-up loans. The gross sample mean was only $170 (2.2 percent) less than the population mean. The difference between gross and net

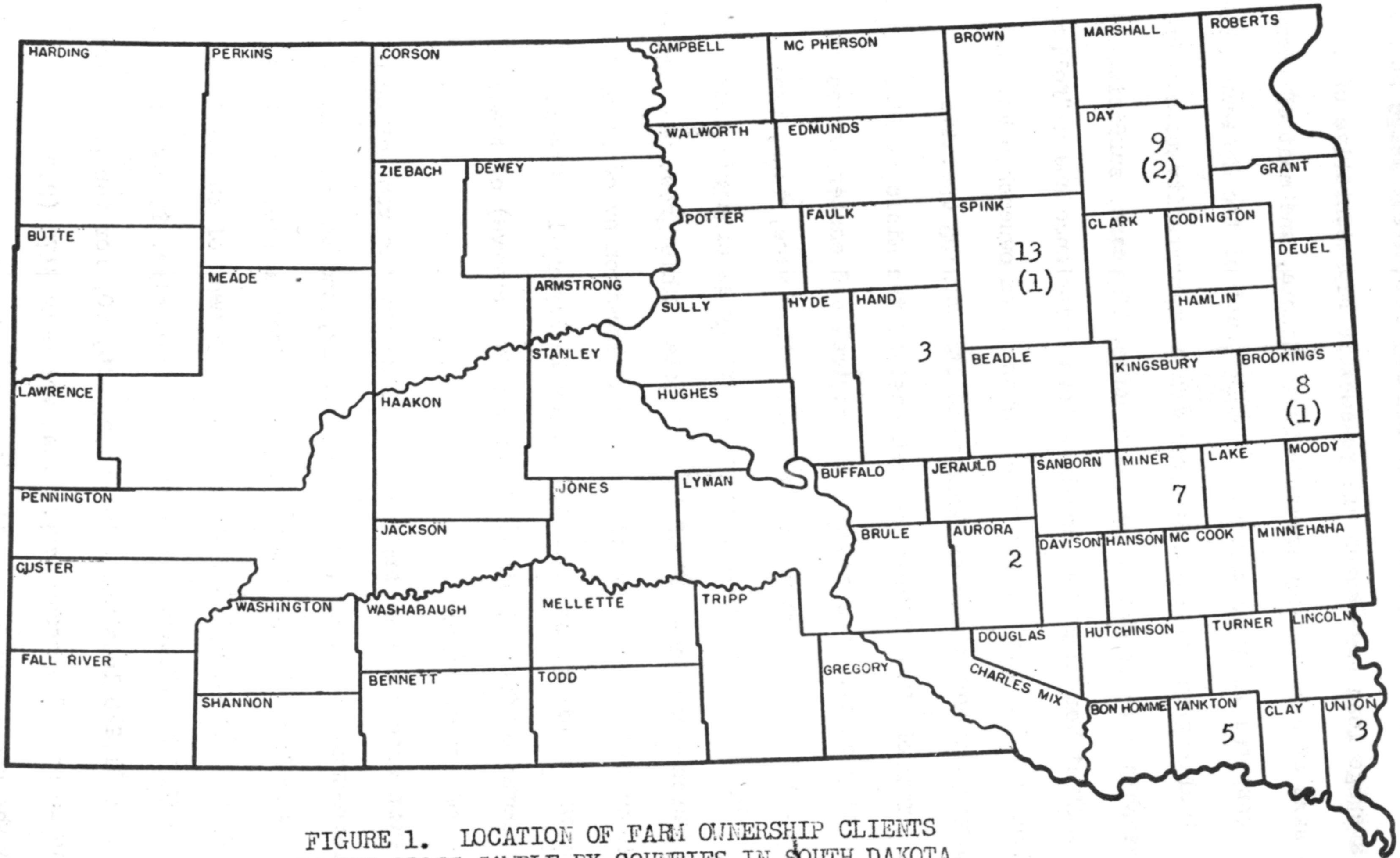

FIGURE 1. LOCATION OF FARM OWNERSHIP CLIENTS IN THE GROSS SAMPLE BY COUNTIES IN SOUTH DAKOTA. (The figure in parentheses is the number of active loans in the sample).

samples in mean size of loans, $328, represents a non-respondent bias. Even though a large part of the difference in mean loan size between the population and the net sample, $328 of $498, is accounted for by the non-respondent bias, this much difference, $498, could easily occur as the result of chance causes in a randomized sampling procedure. It appears that this purposive sample could be considered reasonably representative of the population of paid-up farm-ownership loans in South Dakota.

TABLE 1. COMPARISON OF MEAN AND RANGE OF LOAN SIZE, GROSS AND NET CLIENT SAMPLES WITH THE POPULATION OF PAID-UP LOANS

Item	Paid-Up Loan Population 1/	Gross Sample 2/		Net Sample 3/	
		All Loans	Paid-Up Loans	All Loans	Paid-Up Loans
Number	386	50	46	30	26
Mean Loan Size	$7,782	$7,612	$7,564	$7,284	$7,148
Range in Loan Size	$2,200--$13,000	$2,440--$12,000	$2,440--$12,000	$2,440--$12,000	$2,440--$12,000

1/ Includes all Farm Ownership loans in South Dakota which were paid up as of January 1, 1952.
2/ The gross sample is the 1940 group of clients located east of the Missouri River consisting of 46 paid-up loans and four active loans.
3/ The net sample consists of 26 paid-up loans and four active loans. It represents the number of usable schedules obtained from the gross sample.

The inclusion of four active 1940 loans in the sample had no effect upon the range of loan size in either gross or net sample. However, the difference between the mean loan size of the population and the gross sample mean was reduced from $218 to $170; and for the net sample, the difference between means was reduced from $634 to $498 by including these four active loans. This does not appear to seriously distort the representativeness of the sample as indicated by the mean and range of loan size. Including these active loans in the sample seemed appropriate because of the purposive nature of the sample and to obtain as large a number of cases as possible with the same length of time in farm ownership.

(2) <u>Control Group Selection</u>. In achieving the objective for this study, comparative data were to be obtained from a representative group of non-clients. The individuals selected for the control group were to have had a background of social and financial circumstances similar to that of the members of the client sample. Under the assumption that they would very likely meet the foregoing qualification, it seemed logical to seek individuals for the control group who had applied for a farm-ownership loan in 1940, who had been approved by the county committee, but who did not receive a loan because of limited amounts of loanable funds; and who, in fact, did pursue alternative methods of farm purchase financing.

It was assumed that all persons who had applied and were approved for a farm-ownership loan in the same year would have reasonably similar social and economic backgrounds. If such a group were differentiated into two subgroups by chance circumstances, then each subgroup should be representative of the larger group of which it was a part. The differentiating circumstances were chance allocation of loanable funds to approved applicants according to the date of application for a loan and the personal decision of the applicant to accept or reject the loan when it became available to him.

The procedure to be employed was to select control cases from a list of 1940 farm-ownership loan applicants. Lists of former loan applicants were to be obtained from the county FHA office in each county in the survey. The former applicant to be selected as a control case for a corresponding client sample case had to meet all of the following qualifying criteria: (1) he had to be living in the same neighborhood as the client case in 1940, and preferably, throughout the period under study; (2) he had to have financial circumstances in 1940 similar to those of the client case; (3) he could not have attained ownership of his farm prior to 1940; and (4) he had to have achieved ownership of his farm in 1940 through methods of farm purchase financing other than those made available by the Farm Ownership program.

C. SURVEY FIELDWORK

A pilot test of the schedule was made in Brookings county during May, 1952. The pilot study confirmed the anticipation that enumeration of the schedule data would be difficult and time consuming. Moreover, a difficulty not previously anticipated appeared early during the pilot study and plagued enumerators throughout the survey. Not only former clients, but other farmers as well, were reluctant to cooperate in divulging financial information. Therefore it became impractical to obtain information from respondents for more than two points in time--1940 and 1951.

The schedule had been designed, anticipating that farm records would be available for this purpose, to yield a rather complete financial history of the farm business. In particular, it was expected that the client group of cases would have farm records since the supervisory phase of the program required budgeting and record keeping;

or, at least, that the file duplicates of these records would be available in the county FHA offices. Both of these expectations concerning records proved to be wrong. Very few complete current farm records or even old records were found among the pilot study cases, or later, during the survey proper; and in almost all cases, the most adequate records available were the most recent income tax returns.

This situation can be accounted for by: (1) a general dislike farmers have for record keeping, (2) nearly all clients, even though they kept records while under the program, gave up the practice after repaying the loan; (3) most farmers apparently dispose of records after they become several years old, and (4) the disposal of FHA file duplicates of client records three years after the loan is repaid.

A further difficulty appeared in the selection of control cases. The 1940 group of former farm-ownership loan applicants in Brookings county had been seriously depleted by death, migration, and occupational shifts. Of the number who remained in farming, very few had achieved farm ownership in 1940 through alternative means of farm purchase financing.

This situation forced a partial abandonment of one of the qualifying criteria. The forfeited criterion stated that the control case like the client case had to have achieved farm ownership in 1940. All experimental control was not lost but only control in terms of equal time periods. This meant that group differences would reflect two effects instead of one. A length-of-ownership variable was circumstantially introduced into the experimental design in addition to the intended variable of differing terms and conditions of farm purchase financing.

The procedure for selecting control cases was completely thwarted when the survey was extended to counties other than the pilot study county. In Brookings county, the local FHA office had maintained a listing of former loan applicants. It was the availability of such a list in Brookings county and the assumption that a list of former applicants would also be available in other county offices that formed the basis for deciding to use this procedure for locating control group cases. It was soon discovered that no other county FHA office among the counties in this survey had maintained a list of previous loan applicants. This situation forced the development of a new procedure for selecting control cases.

Several of the more obvious alternative methods for selecting control cases were attempted. Each in turn proved to be impractical in operation. The first alternative procedure attempted was to ask the client being interviewed if he remembered friends or neighbors who had financial circumstances similar to his, who had applied for, but had been unable to obtain farm-ownership loans. The chief difficulties with this procedure were: (1) too few leads resulted because the client being interviewed either failed to remember or had never had a knowledge of any friends or neighbors who had applied for farm-ownership loans, and (2) the comparability of initial financial circumstances was too difficult to establish with any degree of certainty without first enumerating some of the most difficult portions of the schedule. The second procedure attempted was identical to the first in principle but differed in operation. The names of former applicants were sought from FHA personnel instead of from members of the client sample. In addition to the same difficulties found in using the first procedure, it was discovered that some FHA personnel had not been in a particular county long enough to have had any knowledge or memory of former loan applicants.

The most likely method of selection remaining was to employ 1940 personal property tax records as a means for locating control cases. The only other alternative to this method would have been to systematically contact farmers adjacent to the client sample case until one was found who fit the qualifying criteria for selection. Such a procedure would almost certainly prove difficult and costly to execute.

In operation, the procedure for selecting control cases by means of 1940 personal property tax records involved developing a list of individuals living nearest to the client sample case, or at least within the same township, who had personal property tax valuations approximating that of the client, and who had not attained farm ownership prior to 1940. In the field, the procedure followed was that of contacting the farmer located nearest to the client sample case who had a tax valuation nearest to that of the client case. If the first individual contacted proved to be uncooperative, the next nearest farmer was contacted, and so on, until a cooperator was found.

The desire for proximity in geographic location is based upon the assumption that the nearer the two cases were located to each other, the more likely they were to have experienced similar weather conditions and to have farmed similar soil types. In this way, two very important variables were controlled, or, at least, the variation minimized to insure reasonable comparability in these respects since these variables were not to be measured.

The procedural assumption underlying the use of comparable personal property tax valuations is that farmers who had approximately the same personal property tax values in 1940 would also have similar asset, liability, and net worth patterns provided that farm ownership was not achieved prior to that year. Another procedural assumption was that farmers living in the same locality with comparable 1940 personal property tax values had experienced similar economic and weather conditions in the past and had had similar opportunities to achieve farm ownership. If they failed to exercise these opportunities, it was very likely for one or more of the following reasons: lack of knowledge concerning these opportunities, fear of failure, or a preference to continue farming in the tenure status they were in at that time. The second reason given above, fear of failure, that is, fear of increased debt burdens in economically uncertain times, deterred a great many farmers, judging by their own statements, from achieving farm ownership earlier.

A total of 150 individuals were contacted in obtaining 30 usable schedules for the control sample. It was not possible to obtain owner-operators in all instances and stay within the limits established by the qualifying criteria for selecting control cases. Consequently, it seemed appropriate to further modify the criterion previously altered (see page 26) in order to obtain a full quota of control cases without forfeiting any additional criteria. Therefore, five individuals who were full tenants throughout the period under study were admitted into the control sample since they satisfied all the criteria except the one which postulated attainment of farm ownership in 1940. The inclusion of farm tenants in the control sample appeared to have merit because it would tend to give something of a complete picture of what might have been the social and economic progress and status of the client sample had they not received farm-ownership loans.

TABLE 2. COMPARISON OF MEAN AND RANGE OF 1940 PERSONAL PROPERTY TAX VALUES OF CLIENT AND CONTROL SAMPLES WITH THE POPULATION OF TAX VALUES

Item	Population of Tax Values 1/	Client Sample	Control Sample
Number	154	30	30
Mean Tax Value	$1,233	$1,235	$1,104
Range of Tax Values	$454-- $3,011	$454-- $2,527	$593-- $2,186

1/ The population of tax values includes all cases for which tax data was obtained in both client and control gross samples.

Personal property mean tax values and the range of tax values, $1,233, for the population, the client sample, and the control sample are compared in Table 2. The tax value mean for the control sample is $129 (10.5 percent) less than the mean of the population of tax values while the client sample mean exceeds the population mean by only $2.00. This difference is largely the result of circumstances encountered in obtaining control sample cases. However, it is doubtful whether the difference between the sample means, $131, represents a serious difference. The range of tax values in the control sample, $1,593, is more compact than the range in the client sample, $2,073. Therefore, it is reasonable to suppose that this much difference in mean tax values could have resulted from chance causes as much as from the procedure employed in obtaining control sample cases. It appears that both client and control samples have had a common background of financial circumstances as indicated by 1940 personal property tax values.

The reasonableness of the foregoing statement and of the procedure employed in selecting control sample cases is supported by the results of this survey. The mean net worth in 1940 for the client group was $3,129 and for the control group it was $3,606, as determined by this survey. Mean tax values were $1,235 and $1,104 for the client and control samples respectively. Much of the contrast between the 1940 tax values and 1940 net worths of the two groups is undoubtedly the result of two factors in addition to sampling errors. First, there were undoubtedly differences between the amounts of property as reported to assessors in 1940 and the amounts reported as owned in 1940 for the purpose of this survey. These differences are most probably the result of not accurately remembering the amounts of property owned in 1940, but these inaccuracies in reporting property on this survey should be approximately the same in both groups. Second, tax valuations probably do not differentiate quality as much as it was differentiated on this survey.

The schedules obtained on this survey--30 for each of the two groups--were obtained only with considerable effort and numerous calls per schedule. Frequently farmers were not found at home on the first call. Often on the second call as well as on the first call if the farmer was at home, he was too busy with farm work to take time for the interview. This situation required making an appointment to come back in the evening or on some day when the farmer would have time for the interview. An average of 7.5 calls and 242 miles were traveled in obtaining each usable schedule (Table 3).

TABLE 3. FREQUENCY OF CONTACT PER CASE AND PER SCHEDULE

Item	Number of Cases (Gross Sample)	Total Number of Calls Made	Average Number of Calls Per Case	Number of Usable Schedules (Net Sample)	Number of Calls Per Usable Schedule
Client Sample	50	174	3.48	30	5.80
Control Sample	150	276	1.84	30	9.20
Total	200	450	--	60	--
Average	--	--	2.25	--	7.50

C. SELECTION OF CLASSIFICATION METHODS

Two methods of classification appeared necessary in making a critical comparative analysis of client and control group social and economic progress.

First, classification of cases by 1951 tenure classes seemed appropriate because, in 1951, the client group was composed of 12 part owners and 18 full owners while the control group contained 5 full tenants, 15 part owners, and 10 full owners. Examination of the two groups by tenure classes would tend to show the relationship between tenure and the social and economic factors under measurement. Also, classification of the two groups by tenure classes should help to test the validity of some of the operating principles of the Farm Ownership program, particularly those which involve restrictions upon renting or purchasing additional land.

Second, classification of cases by geographic areas seemed appropriate because of differences between areas in types of farming and levels of rainfall. Although South Dakota is usually divided into eight types of farming or economic areas, three broad geographic areas--western, central, and eastern--can be superimposed for larger generalizations. Essentially, this means subdividing the two groups according to risk levels. Central South Dakota represents a relatively high-risk area where the average annual rainfall is such that it is classed as a semi-arid region[15/] and where there exists a semi-specialized agriculture centered in cattle and wheat production. In contrast, eastern South Dakota has an agricultural enterprise which is more diversified in both crops and livestock. Its crop production is more stable because it has a higher rainfall level; and therefore, there is less economic uncertainty. It constitutes a comparatively low-risk area relative to central South Dakota.

As previously indicated, the survey did not extend into the West River area; therefore, only eastern and central areas will be used in geographically classifying the client and control groups for analytical purposes.

15/ Semi-arid regions are regions in which the average annual rainfall is less than 20 inches.

Each of the two areas--central and eastern South Dakota--contains 15 cases located in three scattered counties in the area. The location of client and control sample cases by counties and geographic areas is indicated in Table 4.

TABLE 4. LOCATION OF CLIENT AND CONTROL SAMPLE CASES BY COUNTIES AND AREAS IN SOUTH DAKOTA

County	Number of Cases	
	Client Group	Control Group
Eastern South Dakota		
Brookings	5	5
Yankton	3	3
Day	7	7
Total	15	15
Central South Dakota		
Miner	4	4
Hand	3	3
Spink	8	8
Total	15	15
Combined Areas	30	30

E. TREATMENT OF THE DATA

The primary comparison in the analysis will be the comparison of the two groups as a whole because this comparison should reveal something of what the tenure status and social and economic progress of the client group might have been had they not received farm-ownership loans. Secondary comparisons will be made by tenure classes and geographic areas for reasons noted in the preceding section of this chapter.

The data from the schedules were summarized for both groups and cross tabulated by tenure classes and geographic areas. Simple averaging appeared to be the only statistical treatment which could be validly applied to the data. Other forms of statistical treatment did not appear applicable because of the purposive nature of the client sample and because of variations in tenure status in both groups.

CHAPTER III

SOCIOLOGICAL COMPARISON OF CLIENT AND CONTROL GROUPS

Socio-personal data--age, size of family, nationality background, church preference, education, and farm experience--will form the basis for the comparisons in this chapter. The purpose of these comparisons is to demonstrate the sociological comparability of the client and control groups and to show that they have had a common background of social circumstances preceding the time at which they achieved farm ownership.

Background social circumstances or social environment tends to influence the behavior and decision-making patterns of people. If the two groups are not reasonably comparable in social background at the same initial point in time, then subsequent social and economic progress might be attributable to the influences of the preceding social environment. It is for this reason that it is important that the client and control groups should be sociologically comparable if social and economic progress comparisons are to be reasonably valid. The two groups as such will be compared first; and then, for most factors, by 1951 tenure classes and geographic location to determine if the two groups are sociologically comparable on a classified as well as a whole-group basis.

A. AGE OF HUSBAND AND WIFE

The average age of husbands in both groups was identical, 50.8

years (Table 5). The range of ages in the control group (37-65) was somewhat greater than in the client group (40-59).

TABLE 5. AVERAGE AGE AND AGE RANGE OF HUSBANDS AND WIVES IN 1951, CLIENT AND CONTROL GROUPS

Item	Client Group		Control Group	
	Husbands	Wives	Husbands	Wives
Number of Cases 1/	29	28	30	29
Average Age	50.8	47.4	50.8	46.3
Age Range	40-59	39-58	37-65	27-62

1/ Deceased husbands and wives are excluded from age calculations.

This difference in the range of ages between the two groups reflects a fundamental difference between them in general. The control group can probably be considered more representative of the universe of farmers, at least with respect to age, than the client group. The client group, in contrast, is a selected group. One indication of selection is the concentration of its members in the 40 to 60 age bracket. Members of the client group were, in fact, selected from among the applicants in the process of being approved by the county FHA supervisor and his advisory committee as being qualified to receive farm-ownership loans.

The two groups compared with respect to the wife's age reveals that (1) wives in a client group averaged one year older than wives in the control group, and (2) as with the husbands, the age range of wives in the client group was much narrower than the age range of wives in the control group. Wives in the client group averaged 3.4 and in the control group 4.5 years younger than their husbands.

The average ages of farm operators in the two groups classified by tenure classes and geographic areas varied less than one year between groups for all classifications except the full owner tenure class (Tables 6 and 7). Control group full owners averaged 2.3 years older than full owners in the client group. Full owners in both groups were older on the average than either part owners or full tenants. They were 2.6 years older in the client group and 5.0 and 4.3 years older than part owners and full tenants, respectively, in the control group. Central South Dakota farm operators in both groups were older on the average than eastern South Dakota farm operators. They were 0.7 and 1.9 years older in the client and control groups respectively.

TABLE 6. AVERAGE AGE OF FARM OPERATOR
CLIENT AND CONTROL GROUPS BY TENURE CLASSES, 1951

1951 Tenure Status	Client Group		Control Group	
	Number	Age	Number	Age
Full Tenant	--	--	5	49.8
Part Owner	12	49.2	15	49.1
Full Owner	17	51.8	10	54.1
All Tenure Classes	29	50.8	30	50.8

TABLE 7. AVERAGE AGE OF FARM OPERATOR
CLIENT AND CONTROL GROUPS BY GEOGRAPHIC AREAS, 1951

Geographic Area	Client Group		Control Group	
	Number	Age	Number	Age
Eastern South Dakota	15	50.4	15	49.9
Central South Dakota	14	51.1	15	51.8
Combined Areas	29	50.8	30	50.8

B. SIZE OF FAMILY

Families in the control group averaged 3.7 children or slightly larger than families in the client group with 3.3 children per family (Table 8). A larger proportion of control group families were large families. About 30 percent of the control group but only 20 percent of the client group had families with five or more children. In both groups, 40 percent of the families were equally divided with three and four children in the family.

TABLE 8. FREQUENCY DISTRIBUTION OF FAMILIES CLIENT AND CONTROL GROUPS BY TOTAL NUMBER OF CHILDREN

Total Number of Children	Client Group		Control Group	
	Number	Percent	Number	Percent
0	1	3.3	1	3.3
1	3	10.0	3	10.0
2	8	26.7	5	16.7
3	6	20.0	6	20.0
4	6	20.0	6	20.0
5	1	3.3	4	13.3
6	4	13.3	1	3.3
7	-	--	3	10.0
8	1	3.3	-	--
9	-	--	1	3.3
Total Number of Children	98	100.0	111	100.0
Number of Families	30	--	30	--
Range in Number of Children per Family	0-8	--	0-9	--
Average Number of Children per Family	3.3	--	3.7	--

The client group was slightly further along in the family cycle than the control group (Table 9). This result is one which should be expected since the average age of clients was 39 when they obtained their loans. At this average age, the client group as a group was at the peak of the family cycle; and because of the concentrated age grouping of its members, the client group should move rather steadily and evenly along the descending phase of the family cycle. This is indicated by the regular regression in the declining average number of children at home in families of the client group. The control group does not reflect this phenomenon. The reason it does not is that the age range of its members in 1940 was such that some were in the initial phase while others were at the peak of the family cycle. This would tend to produce an undulating effect in the family cycle of the control group--an increasing and then a decreasing number of children at home relative to the average age of control group members.

TABLE 9. AVERAGE NUMBER OF CHILDREN AT HOME IN 1940, 1945, and 1951, CLIENT AND CONTROL GROUPS

Item	Client Group	Control Group
Average Number of Children:		
At Home in 1940	2.7	2.6
At Home in 1945	2.6	2.7
At Home in 1951	1.7	2.1

The average total number of children per family in the two groups classified by tenure classes and geographic areas varied less than one-half child between groups in the full owner tenure class and in eastern South Dakota, but only slightly more than one-half child between groups in the other tenure classes and in central South Dakota (Tables 10 and 11). Part owners in both groups and full tenants in the control group had larger families than full owners in either group. In the client group, part owner families averaged one-half child more and in the control group part owner and tenant families averaged, respectively, 1.2 and 1.3 more children than full owner families. Central South Dakota families in both groups were larger than eastern South Dakota families. They had 1.2 and 0.8 more children, client and control groups respectively.

TABLE 10. AVERAGE TOTAL NUMBER OF CHILDREN CLIENT AND CONTROL GROUPS BY TENURE CLASSES, 1951

1951 Tenure Status	Client Group		Control Group	
	Number of Cases	Number of Children	Number of Cases	Number of Children
Full Tenant	0	0	5	4.2
Part Owner	12	3.6	15	4.1
Full Owner	18	3.1	10	2.9
All Tenure Classes	30	3.3	30	3.7

TABLE 11. AVERAGE TOTAL NUMBER OF CHILDREN CLIENT AND CONTROL GROUPS BY GEOGRAPHIC AREAS, 1951

Geographic Area	Client Group		Control Group	
	Number of Cases	Number of Children	Number of Cases	Number of Children
Central South Dakota	15	3.7	15	4.3
Eastern South Dakota	15	2.9	15	3.1
Combined Areas	30	3.3	30	3.7

C. NATIONALITY BACKGROUND

No unusual differences were observed in comparing the nationality background of the two groups. However, the client group is somewhat more cosmopolitan in its nationality composition than the control group (Table 12). It does not appear that any significant inferences can be drawn along nationality lines. They are presented to demonstrate that the two groups were basically similar in nationality background.

TABLE 12. FREQUENCY DISTRIBUTION OF CLIENT AND CONTROL GROUP FARM OPERATORS BY NATIONALITY BACKGROUNDS, 1951

	Client Group		Control Group	
Nationality	Number	Percent	Number	Percent
Scandinavian 1/	7	24.1	10	33.3
English 2/	8	27.6	10	33.3
German	10	34.5	10	33.3
Miscellaneous 3/	4	13.8	--	--
Total	29	100.0	30	100.0

1/ Scandinavian includes Norwegian, Swedish, and Danish extractions.

2/ English includes English, Scotch, and Irish.

3/ Miscellaneous includes Polish, Czechoslovakian, Swiss, and Dutch extractions.

D. CHURCH PREFERENCE

All individuals in both groups, except two members of the client group, indicated a church preference (Table 13). The control group had more Catholics and fewer Methodists in its denominational composition than the client group. Other than this difference, there is not sufficient contrast between the two groups in denominational composition to warrant any inferences in this respect. Basically, the two groups are similar in denominational composition.

TABLE 13. FREQUENCY DISTRIBUTION OF CLIENT AND CONTROL GROUPS BY CHURCH PREFERENCES, 1951

Church	Client Group Number	Client Group Percent	Control Group Number	Control Group Percent
Catholic	4	13.3	8	26.7
Lutheran	9	30.0	11	36.7
Methodist	10	33.3	6	20.0
Other	5	16.7	5	16.6
None	2	6.7	--	--
Total	30	100.0	30	100.0

E. EDUCATION OF HUSBAND AND WIFE

Husbands in the control group averaged one-third of a year more in school on the average than client group husbands (Table 14). Wives in both groups averaged over a year more in school than their husbands. More husbands in the control group (13) than in the client group (5) had gone beyond the eighth grade. Nearly equal numbers of wives, 15 and 14, client and control groups respectively, had gone beyond the eighth grade but more of the control group wives who had gone beyond the eighth grade went further. Twelve control group wives in contrast with nine wives in the client group had completed high school. A larger number of both husbands and wives in the control group had attained a higher level of education than husbands and wives in the client group.

The average number of years spent in school by farm operators in the two groups classified by tenure classes and geographic areas varied less than 0.5 of a year between groups for all classifications except the part owner tenure class (Tables 15 and 16). Control group part

TABLE 14. FREQUENCY DISTRIBUTION OF CLIENT AND CONTROL GROUP HUSBANDS AND WIVES BY NUMBER OF YEARS SPENT IN SCHOOL

Years in School	Client Group		Control Group	
	Husbands	Wives	Husbands	Wives
3	-	-	2	1
4	-	1	-	-
5	1	-	-	-
6	2	-	-	1
7	2	-	2	-
8	19	12	13	13
9	-	1	3	-
10	1	4	4	1
11	-	1	3	1
12	3	5	3	8
13	1	3	-	2
14	-	1	-	2
Total Years in School	242	273	260	284
Number of Cases	29	28	30	29
Range in Years	5-13	4-14	3-12	3-14
Average Years in School	8.3	9.8	8.7	9.8

TABLE 15. AVERAGE NUMBER OF YEARS IN SCHOOL CLIENT AND CONTROL GROUP FARM OPERATORS BY TENURE CLASSES, 1951

1951 Tenure Status	Client Group		Control Group	
	Number of Cases	Years in School	Number of Cases	Years in School
Full Tenant	--	--	5	8.4
Part Owner	12	8.5	15	9.1
Full Owner	17	8.2	10	8.2
All Tenure Classes	29	8.3	30	8.7

owners spent from 0.6 to 0.9 more years in school than did members of other tenure classes in either group. Central South Dakota client and control group farm operators spent respectively, 0.5 and 0.7 more years in school than client and control group farm operators in eastern South Dakota.

TABLE 16. AVERAGE NUMBER OF YEARS IN SCHOOL
CLIENT AND CONTROL GROUP FARM OPERATORS BY GEOGRAPHIC AREAS, 1951

Geographic Area	Client Group		Control Group	
	Number of Cases	Years in School	Number of Cases	Years in School
Central South Dakota	14	8.6	15	9.0
Eastern South Dakota	15	8.1	15	8.3
Combined Areas	29	8.3	30	8.7

F. FARM EXPERIENCE

The farm labor "rung" on the agricultural "tenure ladder" was entirely by-passed by about two-thirds of both groups (Table 17). Members of the client group who had farm labor experience had about three years more of it than control group members--an average of about nine years in contrast with six years for the control group.

Members of both groups had spent about the same length of time, 13 years, as farm tenants before 1940. Since 1940, the control group averaged five years as farm tenants with five of its members remaining as farm tenants throughout the period under study, 1940 through 1951. All members of the client group achieved farm ownership in 1940; and since 1940, they have averaged 2.5 years longer as farm owners than members of the control group who achieved farm ownership--an average of 12.0 years in contrast with 9.5 years for the control group. Five members of the control group and four in the client group had averaged 10.0 and 11.5 years in farm ownership at some time prior to 1940 but

TABLE 17. KINDS AND AMOUNTS OF FARM EXPERIENCE
CLIENT AND CONTROL GROUPS, 1951

Group and Kind of Farm Experience	Number Who Did Not Have	Number Who Had	Total Years of Experience as	Range in Years of Experience as	Average Number of Years of Experience as
Client Group					
Farm Labor	21	9	80	4-20	8.9
Farm Tenant Before 1940	1	29	403	4-28	13.9
Farm Tenant Since 1940	30	0	--	--	--
Farm Owner Before 1940	26	4	46	6-15	11.5
Farm Owner Since 1940	0	30	360	--	12.0
Control Group					
Farm Labor	20	10	60	1-14	6.0
Farm Tenant Before 1940	1	29	372	1-24	12.8
Farm Tenant Since 1940	6	24	121	1-12	5.0
Farm Owner Before 1940	25	5	50	4-16	10.0
Farm Owner Since 1940	5	25	237	4-12	9.5

none had been able to maintain ownership during the depression of the 1930's.

On the whole, the two groups are fairly comparable as to the pattern and length of time spent on the various "rungs" of the "tenure ladder." Nevertheless, one significant aspect of these farm experience patterns needs further consideration.

Farm ownership for an average of 2.5 years longer than the control group members represents a distinct opportunity for the client group members in two respects. First, it means that because clients had achieved ownership two and one-half years earlier, they had the opportunity to realize its benefits that much earlier in life and for that much longer. Second, the two and one-half years represents that much greater time opportunity in which to progress financially, particularly since weather, crop yields, and prices were very favorable during the effective period in time in which this time advantage occurred. In view of these two considerations, it might be suggested that the greatest benefit farmers derive from the Farm Ownership loan program is the opportunity it affords them to achieve farm ownership. This opportunity might very well lead to additional financial opportunities when it is realized just preceding a rise in price levels or a shift in the parity ratio which is favorable to farmers.

G. SUMMARY AND CONCLUSION

The sociological comparability of the two groups in 1940 is indicated by the existence of only minor differences between groups with respect to the mean ages of both husbands and wives; average total size of family and the number of children at home in 1940; nationality backgrounds; church preferences; number of years spent in school; and the kinds and amounts of farm experience prior to 1940.

Some sociological incompatability exists between the two groups. It is indicated by differences between the two groups in the range of age and educational attainment for both husbands and wives. The age range for both husbands and wives in the client group was 19 years while for the control group the range was 28 and 35 years. This seems to indicate that the client group was a selected group, at least with respect to age, relative to the control group and to farmers in general. In the control group, 13 husbands went beyond the eighth grade and 12 wives completed high school while in the client group only five husbands and nine wives attained these educational levels. This seems to indicate that the control group, as a group, had a slightly superior level of educational attainment than the client group.

Except for the differences noted, the client and control groups appear to have had a common background of social circumstances. It is doubtful whether the differences between the two groups in ranges of age and educational attainment are large enough to seriously affect the sociological comparability of the two groups.

The two groups remained reasonably comparable when classified by 1951 tenure classes and geographic location. Differences which appeared were largely differences between tenure classes and geographic areas rather than between the two groups. There was only one outstanding exception to this rule. Control group full owners averaged 2.3 years older than client group full owners.

Full owners in both groups, on the average, were older, had smaller families, and had less education than either part owners or full tenants.

Both groups in eastern South Dakota, on the average, were younger, had smaller families, and had less education than either group in central South Dakota. The foregoing distinctions between tenure classes and geographic areas are minor and do not appear to have any significance.

The only major difference between the two groups is the 2.5 year difference in the average period of farm ownership since 1940. This difference does not affect the sociological comparability of the two groups; but rather, it does have a bearing upon the social and economic progress comparisons which will be made in subsequent chapters.

CHAPTER IV

COMPARISON OF FARM PURCHASE TERMS, SIZE OF FARM, LAND USE, AND MANAGEMENT PRACTICE

The analysis contained in this chapter will be based upon a comparison of client and control group farm purchase terms, size of farm, land use, and farm management practice. The objectives of the analysis will be (1) to indicate the comparability of the two groups with respect to the terms of financing the purchase of the inital farm unit, (2) to determine the comparative progress which the two groups made between 1940 and 1951 in terms of increasing the size of the farm unit, decreasing the proportion of acres in grain crops, and increasing the number of recommended farm management practices employed, and (3) to evaluate the effectiveness of the supervision of clients under the Farm Ownership program.

A. FINANCING THE FARM PURCHASE

Many farmers are not as familiar as they might be with the terms of their mortgage contract. They were unable to furnish all the desired details concerning the rates and terms of financing the farm purchase. Therefore, the data, in this respect, are somewhat incomplete.

All 30 farm-ownership clients made their original farm purchase under the Farm Ownership program in 1940. They bought an average of 370 acres per farm at an average price of $19.69 per acre (Table 18).

TABLE 18. COMPARISON OF FINANCING DATA ON ORIGINAL FARM PURCHASE, CLIENT AND CONTROL GROUPS

Item	Client Group	Control Group
Number of Cases	30	30
Number reporting Farm Purchases	30	25
Average Acreage per Farm	370	330
Average Price per Farm	$7,284.00	$8,089.00
Average Price per Acre	19.69	24.52
Average Period of Ownership	12.0	9.5
Number Reporting:		
Purchase by a Single Cash Payment	0	2
Average Amount	0	$6,900
Purchase by a Down Payment	0	13
Average Amount	0	$2,593
Annual Loan Installments	30	16
Average Amount	$315	$436
Unpaid Balances in 1951	5	8
Average Amount	$3,439	$5,042
Length of Repayment Period	25	0
Average Number of Years	5.9	--

The average loan amount was $7,284, and annual loan installments averaged $315. No down payments were required for direct loans under the program in 1940 and none were made by clients in this group. The average principal balance, in 1951, for five unpaid loans was $3,439.

The balance in one case was to another lender, since this former client had refinanced his loan. The average repayment period for the 25 paid-up loans was 5.9 years and the average length of ownership was twelve years for all cases.

The average length of repayment period, 5.9 years, for paid-up loans in the client sample is almost the same as the repayment period, 5.7 years, for all paid-up farm-ownership loans in South Dakota. The 1940 client sample, in this respect, is reasonably representative of all paid-up loans.

In contrast, 25 members of the control group purchased farm units containing an average of 330 acres at an average price of $24.52 per acre (Table 18). These units averaged 40 acres less per unit than client units and cost an average of $5 more per acre. Consequently, the average cost per farm unit in the control group, $8,089, was in round figures, $800 more than the cost of farm units in the client group. Thirteen control cases made an average initial payment of $2,593 on their units. In contrast, no down payments were made by any members of the client group. Sixteen control cases had an average annual loan installment of $436, or $120 more than the average client loan installment. The average principal balance, in 1951, for eight unpaid loans was $5,042. This is an average of $1,600 more than for clients who had unpaid balances. The average length of ownership was 9.5 years in contrast to 12 years for the client group.

The 23 control group members who financed their farm purchases did so with reasonably long-term amortized loans at an average interest rate of about 4.5 percent. Twelve cases financed farm purchases through the Federal Land Bank; three cases used a contract for deed method of farm purchase; two cases used open-term bank notes; two cases used 10-year minimum repayment period mortgage contracts with insurance companies; and four cases did not indicate the terms of the mortgage or the mortgagee. Scheduled loan installments were of the fixed type for the sixteen cases reporting loan installment data. Twelve of these sixteen cases, those with Federal Land Bank loans, could make advance or reserve payments to apply at a future date should it become impossible for them to make the regularly scheduled loan installment. Delinquency occurs when a scheduled loan payment is not paid either directly or from the reserve build up by advance payments.

All thirty farm-ownership clients purchased farms with no down payment by means of 40-year loans at a 3 percent interest rate under a variable repayment agreement. Annual loan installments varied directly with the farm income, and advance payments applied at the "near end" of the repayment schedule. Thus, a borrower who had made advance payments could skip loan installments; or if he had no advance payment credits, he could pay only the amount determined on an income basis and not become delinquent.

Except for the significant difference of a down payment versus no down payment, the terms and conditions of farm purchase financing did not differ greatly between the two groups. Therefore, differences between the two groups with regard to size of farm purchased, price per acre, length of ownership, number of cases with principal balances, and the size of principal balance cannot be attributed, except for the down payment difference, to differences in terms of financing farm purchases.

Most of these differences are the result of the time at which farms were purchased. Control group farm purchases were made at an average of 2.5 years later in time than client group purchases. This period of time was significant because of generally rising prices during the period under study. The existence of this time interval is largely a function of down payment requirements and personal decision. Insofar as this period exists as a function of down payment requirements, it represents the major advantage of the Farm Ownership loan program to the farmers who purchased farms under its auspices. Normally, the earlier in this period under study that a farm was purchased, the less the price was per acre, the more reasonable the mortgage terms, and the greater the opportunity to clear mortgage indebtedness by virtue of good crop yields because of good weather, favorable prices for farm products, and a favorable cost-price ratio.

It appears that the Farm Ownership loan program's chief advantage to farmers is its minimum down payment requirement; and if economic conditions are propitious, a consequent time advantage. In brief, it represents an opportunity to achieve farm ownership under very favorable terms of financing, if economic conditions warrant farm purchases under these terms.

Data on additional land purchases indicate the advantage of achieving farm ownership early in the period under study. Although those members of the client group who purchased additional land did not purchase as many additional acres on the average; more of them, 15 in contrast to 6 in the control group, purchased additional land--an average of 255 and 412 acres respectively (Table 19). It appears

TABLE 19. COMPARISON OF FINANCING DATA ON ADDITIONAL LAND PURCHASED, CLIENT AND CONTROL GROUPS

Item	Client Group	Control Group
Number of Cases	30	30
Number Reporting Purchase of Additional Land	15	6
Average Acreage per Purchaser	255	412
Total Number of Tracts Purchased	26	12
Average Number per Purchaser	1.7	2.0
Average Acreage per Tract	147	206
Average Price per Tract	$3,568	$3,183
Average Price per Acre	$24	$15
Number of Tracts Reported:		
Purchased by a single cash payment	13	11
Average Amount	$2,765	$3,018
Purchased by a down payment	2	0
Average Amount	$2,700	--
With Annual Loan Installments	5	0
Average Amount	$400	--
With Unpaid Balances in 1951	6	1
Average Amount	$2,063	$2,800
Length of Ownership	26	12
Average Number of Years	5.0	6.0

that the opportunity to achieve farm ownership afforded clients by the program might be responsible for this difference between the two groups. Earlier achievement of farm ownership enabled more clients than non-clients to clear mortgage indebtedness and to obtain a financial position which permitted them to expand their scale of operations at their discretion.

Both groups were questioned concerning the credit problems they had experienced since 1940, and how these problems, if any, were solved. Respondents were not asked what their credit problems were before 1940 on the assumption that for many or most farmers credit was a problem during the 1930's. Furthermore, credit problems before 1940 antedate the period under study; and therefore they are not applicable to this study. The purpose behind this inquiry was to find out how farmers, particularly non-client farmers, felt about the availability and adequacy of farm credit. The questions and responses are recorded in Table 20.

The significant consideration is that only 10 percent of the control group and none of the client group indicated that they had had inadequate credit since 1940. It would appear that farmers in both groups were obtaining sufficient credit to meet their felt credit needs during the 1940's. Judged by their comparable financial condition in 1940 (see Chapter 5), most control group members were as eligible for farm-ownership loans as client group members, but a majority of them had little or no knowledge of the FHA program (see Chapter 7). Many individuals in both groups stated quite frankly that they were afraid to contract debts during the early 1940's. This fear of debt may account

TABLE 20. CREDIT PROBLEMS AND SOLUTIONS, CLIENT AND CONTROL GROUPS

Credit Problem and Solution	Frequency of Response: Client Group	Control Group
1. Have you been able to obtain adequate credit since 1940?		
a. Yes	30	27
b. No	0	3
2. If not, what credit was needed?		
a. Operating Credit	0	1
b. Long-term Credit	0	2
3. What changes in your operations would you have made had adequate credit been available?		
a. Purchased better equipment and livestock	0	1
b. Followed better farming practices	0	1
4. Did you have any difficulty in meeting scheduled mortgage payments?		
a. Yes	1	2
b. No	29	26
5. If so, what difficulties?		
a. Grasshoppers	1	0
b. Livestock Disease	0	1
c. Insufficient Income	0	1
6. What was done to overcome these difficulties?		
a. Custom Work	0	1
b. Farm Labor	0	1
c. Credit Agency carried delinquency	0	1

for much of the delay in farm ownership achievement by members of the control group. Many farmers by choice--a choice motivated by the fear of debts learned during the drought and depression of the 1930's--delayed farm purchases until they had gained confidence in their expectations of being able to repay the mortgage indebtedness.

The validity of this analysis of why control group members were delayed in achieving farm ownership is evidenced by the fact that many insurance companies and other "unwilling landlords", during the late 1930's and early 1940's, were selling their foreclosed landholdings on a contract for deed basis. During this period of land liquidation by this type of mortgage lender, most any farmer, who really desired to achieve farm ownership, and who could overcome his economic pessimism and fear of debt, could have contracted for the purchase of a farm.

It appears that control group members in particular, and the client group members, as well, could have achieved farm ownership much earlier than they, in fact, did. The opportunity to do so was present, but economic confidence was lacking. The Farm Ownership loan program presented a relatively secure opportunity to achieve farm ownership; because under its variable payment terms, the borrower was not likely to become delinquent or to lose his farm during either short or long periods of adverse crop production or prices. Even with this assured method for achieving farm ownership, many early clients under the program feared that they would never be able to pay off the mortgage within their lifetime.

B. SIZE OF THE FARM

The client group members increased the average size of their farm units between 1940 and 1951 by leasing or purchasing an average of 159 additional acres. The control group, in contrast, added an average of only 55 acres to their farm units (Table 21). In 1940,

TABLE 21. AVERAGE NUMBER OF ACRES OWNED, RENTED, AND TOTAL CONTROLLED BY GEOGRAPHIC AREAS, CLIENT AND CONTROL GROUPS, 1940 AND 1951

Geographic Area and Item	Client Group 1940	Client Group 1951	Control Group 1940	Control Group 1951
Combined Areas				
Acres Owned	370	509	37	357
Acres Rented	78	98	456	191
Total Acres Controlled	448	607	493	548
1940 to 1951 Increase	--	+159	--	+ 55
Percent of Acres Owned	82.6	83.9	7.5	65.1
Number of Cases	30	30	30	30
Eastern South Dakota				
Acres Owned	257	335	27	163
Acres Rented	8	34	247	168
Total Acres Controlled	265	369	274	331
1940 to 1951 Increase	--	+104	--	+ 57
Percent of Acres Owned	97.0	90.8	9.9	49.2
Number of Cases	15	15	15	15
Central South Dakota				
Acres Owned	482	683	48	552
Acres Rented	148	162	665	214
Total Acres Controlled	630	845	713	766
1940 to 1951 Increase	--	+215	--	+ 53
Percent of Acres Owned	76.5	80.8	6.7	72.1
Number of Cases	15	15	15	15

control group farms averaged 45 acres larger than client group farms. By 1951, the position of the two groups was reversed, and client group farms averaged 59 acres larger than control group farms. Farm units, in 1951, averaged 607 and 548 acres in the client and control groups respectively. The client group, in 1951, owned 84 percent of the acreage they controlled while the control group owned only 65 percent of the land they controlled. It appears that members of the client group, between 1940 and 1951, were able, not only to gain control of more acres, but to own a greater proportion of the acres they controlled than were members of the control group.

The same group relationships hold, although not to the same degree, by geographic subdivisions (Table 21). Client farmers in central South Dakota added an average of 215 acres to their farm units, or about twice the number (104 acres) added by client farmers in eastern South Dakota, but in 1951, they owned a smaller proportion--81 percent of 845 acres in contrast with 91 percent of 369 acres--of the land they controlled. The growth in farm size in the control group was about the same, 55 acres, for both geographic subdivisions and for the group as a whole; but in 1951, central South Dakota control group members owned a much larger proportion of the land they controlled--72 percent of 766 acres in contrast with 49 percent of 331 acres for control group members in eastern South Dakota.

Control group farmers in central South Dakota have apparently failed to make adjustments in farm size commensurate with those made by control group farmers in eastern South Dakota; nor have control group farmers by geographic subdivisions or as a group made adjustments in farm size comparable to those made by farmers in the client group.

Both groups had equal geographic distribution; and therefore, variations in farm size between the two groups are not likely to have resulted from this cause. Moreover, the fact that group relationships were much the same when the two groups were geographically subdivided fairly well negates invoking geographic influences to explain the variation in farm size between the two groups.

Full owners in the client group added an average of 70 acres to their farm units between 1940 and 1951 while control group full owners reduced their units by 75 acres (Table 22). Full owners in both groups in 1951 owned an average of about 460 acres. Client group part owners added an average of 293 acres to their farm units, or about twice as many (146 acres) as the control group; and in 1951, they owned a larger proportion--70 percent of 816 acres in contrast with 60 percent of 692 acres--of the land they controlled. Full tenants in the control group in 1951 operated farm units which averaged 312 acres or only 42 acres larger than the units they operated in 1940.

The most feasible explanation for the differences between the two groups in the amount of growth in farm size appears to be that such differences arise as a function of the amount of land resources controlled under ownership. The client group by means of farm-ownership loans were able to obtain ownership control over more land resources in 1940 than the control group. The control group had ownership control over less than 10 percent of the land farmed, while the client group, in 1940, had ownership control of 83 percent of their land. Had the control group obtained ownership control of a like amount of land at the

TABLE 22. AVERAGE NUMBER OF ACRES OWNED, RENTED, AND TOTAL CONTROLLED BY TENURE CLASSES, CLIENT AND CONTROL GROUPS, 1940 AND 1951

1951 Tenure Status	Client Group		Control Group	
	1940	1951	1940	1951
Full Tenants				
Acres Owned	--	--	--	--
Acres Rented	--	--	270	312
Total Acres Controlled	--	--	270	312
1940 to 1951 Increase	--	--	--	+ 42
Percent of Acres Owned	--	--	0	0
Number of Cases	--	--	5	5
Part Owners				
Acres Owned	351	570	21	414
Acres Rented	172	246	525	278
Total Acres Controlled	523	816	546	692
1940 to 1951 Increase	--	+ 293	--	+ 146
Percent of Acres Owned	67.1	69.9	3.8	59.8
Number of Cases	12	12	15	15
Full Owners				
Acres Owned	382	468	80	451
Acres Rented	16	--	446	--
Total Acres Controlled	398	468	526	451
1940 to 1951 Increase	--	+ 70	--	- 75
Percent of Acres Owned	96.0	100.0	15.2	100.0
Number of Cases	18	18	10	10

same time by alternative means, they would have doubtlessly made progress more nearly equal to that of the client group.

The implication is that the largest part of the benefit which farmers derive from the Farm Ownership program comes not so much from the rates and terms of credit offered by it, but from the opportunity it affords farmers to overcome capital rationing and to gain ownership control of adequate land resources sooner than they otherwise would. This means that farmers, who, in addition to the necessary complement of livestock and equipment, own a large part of their land resources, are in a better position in terms of bargaining power, to lease or purchase the additional land necessary in making scale adjustments in response to changing conditions of agricultural production.

The data and analysis presented in this section appear to warrant the inference that the Farm Ownership loan program should allow clients, while still active under the program, to lease or purchase additional acreages, if their resources and capabilities permit; and if expansions in scale are necessary to increase production efficiency. FHA regulations to the contrary were nullified in one of three ways by clients who desired to expand their scale of operations. First, the client paid off his loan as rapidly as possible, and thereafter, expanded his scale of land holdings to the desired extent. Second, contrary to program regulations, some clients purchased or rented additional land while they were still active under the program. Third, some clients obtained supplemental or farm enlargement loans under the Farm Ownership program, and thereby, expanded their scale under the auspices of the program.

C. USE OF THE LAND

Better use of the land is often extolled as one of the virtues of farm ownership. This proposition forms the basis for comparing the two groups according to the proportion of farm acres devoted to grain crops as an indicator of land use in terms of soil conservation and restoration. The underlying assumptions are that if there are fewer acres in grain crops (1) there is less soil mining, or at least, fewer acres are mined; (2) there are probably more acres sown to nitrogen-restoring legume crops; (3) there usually will be more livestock, which means a greater return of organic matter to the soil; and (4) as a consequence of the foregoing, there will be less soil erosion.16/

The client group between 1940 and 1951 reduced the proportion of farm acres in grain crops from 55.6 to 47.5 percent while the control group reduced theirs from 63.8 to 58.6 percent (Table 23). The client group had the smaller proportion of acres in grain crops at both points in time; and since client group farms were larger--607 and 548 acres respectively--than control group farms in 1951, this means that the client group actually made a larger reduction in terms of acres than is indicated by comparing percentages.

Part owners in both groups made larger reductions in the proportion of acres in grain crops between 1940 and 1951 than either full owners or full tenants. Client group part owners had a smaller proportion of acres in grain crops at both points in time than control group part owners

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16/ It is recognized that the most economical proportion of acres in grasses and legumes varies with each particular farm and each type of agriculture. Just how small a proportion of farm acres can be economically devoted to grain crop production is not under consideration.

TABLE 23. PROPORTION OF FARM ACREAGE IN GRAIN CROPS BY TENURE CLASSES, CLIENT AND CONTROL GROUPS, 1940 AND 1951

1951 Tenure Status	Client Group			Control Group		
	Number of Cases	1940	1951	Number of Cases	1940	1951
Full Tenants	0	--	--	5	69.2	65.5
Part Owners	12	51.2	42.6	15	67.9	57.1
Full Owners	18	59.4	53.2	10	56.2	59.8
All Tenure Classes	30	55.6	47.5	30	63.8	58.6

had in either 1940 or 1951. Even though rented acres were included in these computations, it is possible that part owners mine the soil on rented land rather than their own land, and that their progress in this respect is less real than it appears.

Full owners in the client group, although they reduced the proportion of acres in grain crops, had, in both 1940 and 1951, a larger proportion of acres in grain crops than part owners in this group. In the control group, full owners actually increased the proportion of acres in grain crops; and in 1951, this proportion exceeded that of part owners in this group, whereas in 1940, their positions were reversed in this respect. Full owners in the control group may be temporarily mining the soil in an endeavor to clear farm indebtedness--a very common procedure followed by farmers in debt.

In 1951, both full owners and part owners in the client group had farms larger than those in these tenure classes in the control group. Therefore, the client group by tenure classes and as a group made more progress than the control group, not only in reducing the proportion of

TABLE 24. PROPORTION OF FARM ACREAGE IN GRAIN CROPS BY GEOGRAPHIC AREAS, CLIENT AND CONTROL GROUPS, 1940 AND 1951

Geographic Area	Client Group			Control Group		
	Number of Cases	1940	1951	Number of Cases	1940	1951
Eastern South Dakota	15	66.9	59.8	15	69.5	66.4
Central South Dakota	15	50.8	42.2	15	61.6	55.3
Combined Areas	30	55.6	47.5	30	63.8	58.6

acres in grain crops, but also, in terms of actual acreages removed from grain crop production.

In contrast, full tenants in the control group, although they reduced the proportion between 1940 and 1951, had a proportion of acres in grain crops at both points in time which was larger than any other tenure class in either group. This contrast between full tenancy and full or part ownership in comparing these two groups is heightened by the fact that full tenants had the smallest average sized farm unit.

Both groups in eastern South Dakota had a larger proportion of acres in grain crops than in central South Dakota (Table 24). This was expected because of differences in agriculture between the two areas. However, the client group in both areas stands out, not only in the low initial proportion, but also, in reducing the proportion of acres in grain crops between 1940 and 1951. Here also, because client group farms are larger than control group farms in both areas, this means an even greater absolute reduction in terms of acres removed from grain crop production.

In general, both groups registered progress in grain crop acreage reduction, but the client group, beginning with a lower initial proportion in 1940, made the greater relative and absolute progress in this respect.

Just how much reduction in the proportion of acres sown to grain crops in the client group preceded loan repayment is virtually impossible to determine. Some of this reduction undoubtedly took place since the loan was repaid. It appears, from the relatively high initial proportion of grain crop acres in the full owner tenure class in the client group and in this group in eastern South Dakota, that part of the client group might first have done some mining of the soil in paying for the farm, and then instituted soil conserving measures. Therefore, it is difficult to ascertain how much of the client group's greater progress in grain crop acreage reduction is the result of the Farm Ownership program's supervision and how much of it results from other possible causes. It is very possible that grain crop acreage reduction patterns are more a function of the length of time the farm has been (a) owned and (b) clear of mortgage indebtedness in addition to relative price levels than a function of supervision or the method by which the farm was purchased.

D. FARM MANAGEMENT PRACTICE

The purposes of this section are: (1) to determine the comparative progress of the two groups in farm management practice, and (2) to present and evaluate information obtained concerning the effectiveness of supervision of farm ownership clients.

Although supervision of borrowers touches upon nearly all aspects of farm life, an attempt to determine its effectiveness will be made by comparing the number of recommended farm practices employed by clients in comparison with the number employed by the control group. This procedure for determining the effectiveness of the supervision of clients and the comparative level of farm management practice of the two groups, admittedly, furnishes an unrefined measurement of these factors. Farm practices used for this purpose are those which are commonly recommended by the farm ownership supervisory program, the Soil Conservation Service, and the Extension Service. The list of practices and the number of cases employing each practice in 1940 and 1951 are presented in Table 25.

The client group in 1951 employed an average of one practice more than the control group--an average of 15.4 practices in contrast with 14.5 practices. The client group had added an average of 5.0 practices to their farm management program between 1940 and 1951 while the control group added 3.6 practices to their program.

Part owners in both groups added a larger number of practices to their farm management program than full owners (Table 26). An average of 5.7 practices were added by client group part owners in contrast with 4.9 practices added by control group part owners, while full owners in the two groups added 4.5 and 1.7 practices respectively and full

TABLE 25. FARM MANAGEMENT PRACTICES AND THE NUMBER OF CASES EMPLOYING EACH PRACTICE, CLIENT AND CONTROL GROUPS, 1940 AND 1951

VI. FARM MANAGEMENT PRACTICE	Client Group 1940	Client Group 1951	Control Group 1940	Control Group 1951
1. Crop Production Practices				
*a. Improved Seed Varieties	20	28	21	29
*b. Seed Grain Preparation	11	20	17	22
*c. Control of Noxious Weeds	20	26	23	29
*d. Use of Hybrid Seed Corn	11	28	17	29
*e. Pasture Rotation and Management	7	15	3	13
*f. Plowing under all-crop Residues	25	28	28	30
2. Soil Management Practices				
*a. Legumes in Rotation	14	24	10	20
*b. Use of Barnyard Manure	26	29	27	29
*c. Use of Commercial Fertilizers	0	6	0	5
*d. Erosion Control				
1. Contour and strip farming and terraces where needed	5	11	5	8
2. Grassed Waterways	1	7	0	3
3. Early fall subsurface tillage (Stubble-mulch plowing)	14	17	17	23
3. Livestock Production Practices				
a. Feeding Practices				
*1. Balanced Rations	11	17	8	13
2. Silage Feeding	5	12	4	6
3. Feed according to Production	11	13	7	9
4. Self feed or adequate feed space	16	25	25	28
5. Good quality hay	24	29	27	29
b. Breeding Practices				
*1. Purebred sires	19	29	20	25
2. Selection Practiced	21	26	20	26
3. Planned Cross Breeding	6	13	4	6
4. Sire testing				
5. Artificial Insemination				
c. Disease Control				
*1. Vaccination for contagious diseases	24	29	25	27
*2. Control of External Parasites	21	29	18	25
Total	312	461	326	434
Number of Cases	30	30	30	30
Average	10.4	15.4	10.9	14.5
1940 to 1951 Increase	--	5.0	--	3.6

TABLE 26. AVERAGE NUMBER OF RECOMMENDED FARM PRACTICES EMPLOYED BY TENURE CLASSES, CLIENT AND CONTROL GROUPS, 1940 AND 1951

1951 Tenure Status	Number of Cases	Client Group		1940 to 1951 Increase	Number of Cases	Control Group		1940 to 1951 Increase
		1940	1951			1940	1951	
Full Tenants	0	--	--	--	5	11.2	14.6	3.4
Part Owners	12	9.3	15.0	5.7	15	9.0	13.9	4.9
Full Owners	18	11.1	15.6	4.5	10	13.5	15.2	1.7
All Classes	30	10.4	15.4	5.0	30	10.9	14.5	3.6

tenants in the control group added 3.4 practices. In 1951, part owners in the client group employed an average of about one practice and full owners about one-half practice more than these corresponding tenure classes in the control group. In both groups at both points in time, full owners employed as many or more of these recommended farm practices than either tenants or part owners; and part owners in both groups employed the smallest average number of these practices.

The client group in both geographic areas added an average of five recommended farm practices to their management program between 1940 and 1951 (Table 27). In contrast, the control group in eastern South Dakota added an average of four and in central South Dakota an average of three practices during this same period. Both client and control groups in central South Dakota in 1951 employed an average of about 14 of these recommended farm practices. In eastern South Dakota, the client group in 1951 employed an average of 2.3 farm practices more than the control group or an average of 17.3 practices in contrast with 15.0 practices.

TABLE 27. AVERAGE NUMBER OF RECOMMENDED FARM PRACTICES EMPLOYED BY GEOGRAPHIC AREAS, CLIENT AND CONTROL GROUPS, 1940 AND 1951

Geographic Area	Number of Cases	Client Group 1940	Client Group 1951	1940 to 1951 Increase	Number of Cases	Control Group 1940	Control Group 1951	1940 to 1951 Increase
Eastern South Dakota	15	12.3	17.3	5.0	15	10.9	15.0	4.1
Central South Dakota	15	8.5	13.5	5.0	15	10.9	14.0	3.1
Combined Areas	30	10.4	15.4	5.0	30	10.9	14.5	3.6

Differences between geographic areas in the number of recommended farm practices employed exist largely because of differences in types of farming. Certain feeding practices, for instance, silage feeding and feeding according to milk production, are not as likely to be employed in cattle production enterprises in central South Dakota as they are in diversified livestock production enterprises in eastern South Dakota.

It appears that the client group made slightly more progress than the control group in adding recommended farm practices to their management program and employed a slightly larger number of these practices in 1951. The supervision of clients in this sample apparently did little more than keep them abreast with the level of farm practice which prevailed in the community in which they lived, insofar as this was indicated by the control group.

Farm-ownership clients might have done as well in adopting recommended farm practices without supervision. This possibility has merit in view of the fact that clients were selected by the county committee, in part, upon the basis of their reputation as farmers. This selection should result in some above-average farmers becoming clients, who would, by virtue of being above-average, make reasonably adequate progress in adopting recommended farming practices without supervision.

Farm-ownership clients were asked to recall specific farm management practices recommended to them by supervisors (Table 28). The record of supervision in this respect is not very impressive. Thirty clients recalled only 19 practices recommended to them by supervisors. In the control group, only one landlord recommended farm management practices to his tenant; and in this single case, the recommendation was to use legumes in rotation. Yet, the control group employed as many recommended farm practices as the client group. Perhaps, the client group, like the control group, would have adopted the farm practices they did without the benefit of any supervision.

Even though it is to be granted that client memory in this regard many not be very accurate, the failure of clients to remember practices recommended to them by the supervisor and whether the practices were adopted can be taken as an indication that the supervisor and supervision did not make an effective or lasting impression upon the client. If it had, the client would have remembered more distinctly and accurately the tangible results of supervision. It is possible that supervisors recommended many more practices than clients were willing to acknowledge, since to admit that practices were recommended but not adopted might cause clients to feel that they had "lostface" with the interviewer. Even so, supervision of clients does not appear to have been effective in terms of the small number of practices adopted as a direct result of supervisor recommendations.

TABLE 28. FARM PRACTICES RECOMMENDED BY SUPERVISORS TO MEMBERS OF THE CLIENT GROUP, FREQUENCY OF RECOMMENDATION, AND WHETHER ADOPTED

Recommended Farming Practice	Frequency of Recommendation	Practice Adopted	Practice Not Adopted
1. Contour Farming	7	6	1
2. Use of Legumes in Rotation	4	4	0
3. Strip Farming	3	3	0
4. Diversification of Farm Enterprises	2	2	0
5. Grassing Waterways	1	1	0
6. Summer Fallowing	1	1	0
7. Use of Good Sires	1	1	0
Total	19	18	1

According to the memory of the clients surveyed, supervisors do not average two on-the-farm visits per year (Table 29). These supervisory on-the-farm visits are in addition to the required annual farm-and-home planning session which usually takes place in the supervisor's office. The relative infrequency of supervisor-client contact on the farm may help to explain the apparent ineffectiveness of supervision. Landlords in the control group averaged nearly as many annual on-the-farm visits (1.7 annual visits in contrast with 1.9 annual visits by supervisors). However, two-thirds of the landlords did not visit the farm more than the uncounted annual business visit.

There is a possibility that much of the supervision of clients may

TABLE 29. DISTRIBUTION OF CLIENT AND CONTROL GROUPS BY FREQUENCY OF SUPERVISOR OR LANDLORD ON-THE-FARM VISITS IN ADDITION TO ONE ANNUAL BUSINESS VISIT

Frequency of Annual Visits	Number of Client Cases Experiencing	Number of Control Cases Experiencing
0	1	19
1	10	3
2	13	3
3	4	--
4	2	--
5	--	1
6	--	1
7	--	--
8	--	1
12		2
Total Visits for the Group	56	52
Number of Cases	30	30
Average	1.9	1.7
Range	0-4	0-12

have been centered in the farm-and-home plan. If this is true, then some degree of the effectiveness of supervision should be reflected in the current record-keeping pattern of former clients. However, the only current records kept by members of either group, except for those members of both groups who also kept production and inventory records, were income and expense records (Table 30). These income and expense records were, for the most part, inadequate except for income tax purposes; and as viewed by the author, they consisted mainly of sales and expense receipts. Five members of the client group and two in the control group kept complete farm records. It appears that clients were little better than non-clients in keeping adequate farm records. The

TABLE 30. TYPE AND FREQUENCY OF FARM RECORDS KEPT, CLIENT AND CONTROL GROUPS

Type of Record	Frequency	
	Client Group	Control Group
Income and Expense	30	30
Production	5	2
Inventory	5	2

supervisory program apparently failed to successfully promote the idea of keeping farm records. This is indicated by the fact that most of the clients surveyed, 25 out of 30, discontinued the practice, except for income tax purposes, after the loan was repaid. Those who continued keeping adequate records might have done so regardless of supervisory efforts.

CHAPTER V

COMPARISON OF NET WORTH AND INCOME

A comparison of the net worth and income of the client and control groups will form the basis for the analysis contained in this chapter. The objectives of the analysis will be: (1) to determine the comparative progress of the two groups in accumulating capital, and (2) to compare (a) the 1951 income for both groups, and (b) 1951 income and farm operating expenses for both groups adjusted to 1940 price levels.

A. NET WORTH

This analysis is concerned with the financial progress of the farm firm as a unit and not with the detailed financial organization of the unit. Therefore, net worth is the only element in the financial structure of the farm business which will be considered. However, component elements in the financial structure of the farm firm are given in appropriate balance sheet tables in Appendix C.

Net worth data were derived from conservatively valued assets minus liabilities at face value. Fixed assets (land and buildings) were valued by taking the appraised value or the purchase price, whichever figure was available, and adding thereto, the cost of major improvements which had been added by the owner since he had acquired the farm. Working assets (feed, seed, and livestock) were valued somewhat below the current market values. 17/ Assets in the form of machinery and equipment were

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17/ See Appendix C, Table I, for a list of prices employed.

valued according to the farmer's judgment of what his machinery and equipment would bring at a farm sale.

In the asset valuation procedure, both groups were treated alike, and both groups had experienced reasonably similar economic, weather, and soil conditions during the period under study. They should, therefore, reflect differences in capital accumulations, if any, arising from the achievement of farm ownership and the period of farm ownership under the assumptions: (1) that members of both groups were striving to accumulate capital (including the ownership of land), (2) that the range and average level of managerial ability represented in the two groups were approximately equal, and (3) that personal financial withdrawals in both groups were about equal.

The control group had an average of $477 more net worth in 1940 than the client group (Table 31). By 1951, the client group had attained a substantial average margin of $6,088 more net worth than the control group. The client group between 1940 and 1951 gained an average of $6,565 more in net worth than the control group gained during this same period.

The client group, beginning with an inferior net worth position in 1940 in all tenure and geographic classifications except in eastern South Dakota, consistently made larger capital accumulations by tenure classes and geographic areas to achieve a net worth position in 1951, superior to that of the control group (Tables 31 and 32).

Client group part owners gained an average of $9,217 and full owners gained $3,077 more in net worth between 1940 and 1951 than the corresponding tenure classes in the control group. Part owners in both groups registered larger net worth increases during this period and had a net

TABLE 31. AVERAGE NET WORTH AND INCREASE IN NET WORTH BY TENURE CLASSES, CLIENT AND CONTROL GROUPS, 1940 through 1951

1951 Tenure Status	Client Group 1940	Client Group 1951	Control Group 1940	Control Group 1951
Full Tenants				
Number of Cases	0	0	4	4
Net Worth	--	--	$3,010	$16,936
1940 to 1951 Increase in Net Worth	--	--	--	$13,926
Part Owners				
Number of Cases	11	12	14	15
Net Worth	$2,841	$41,216	$3,839	$32,997
1940 to 1951 Increase in Net Worth	--	$38,375	--	$29,158
Full Owners				
Number of Cases	17	18	10	10
Net Worth	$3,316	$30,682	$3,518	$27,807
1940 to 1951 Increase in Net Worth	--	$27,366	--	$24,289
All Classes				
Number of Cases	28	30	28	29
Net Worth	$3,129	$34,895	$3,606	$28,807
1940 to 1951 Increase in Net Worth	--	$31,766	--	$25,201

worth position superior to that of full owners or full tenants; and of all tenure classes, full tenants showed the smallest average gain in net worth, and the lowest 1951 net worth position.

TABLE 32. AVERAGE NET WORTH AND INCREASE IN NET WORTH BY GEOGRAPHIC AREAS, CLIENT AND CONTROL GROUPS, 1940 and 1951

Geographic Area	Client Group 1940	Client Group 1951	Control Group 1940	Control Group 1951
Eastern South Dakota				
Number of Cases	15	15	14	14
Net Worth	$3,378	$27,326	$3,042	$23,004
1940 to 1951 Increase in Net Worth	--	$23,948	--	$19,962
Central South Dakota				
Number of Cases	13	15	14	15
Net Worth	$2,842	$42,465	$4,169	$34,223
1940 to 1951 Increase in Net Worth	--	$39,623	--	$30,054
Combined Areas				
Number of Cases	28	30	28	29
Net Worth	$3,129	$34,895	$3,606	$28,807
1940 to 1951 Increase in Net Worth	--	$31,766	--	$25,201

In central South Dakota, the client group gained an average of $9,569 and in eastern South Dakota an average of $3,986 more in net worth between 1940 and 1951 than the control group gained in these areas. Both groups in central South Dakota in 1951 had a larger net worth and had made larger capital accumulations between 1940 and 1951 than either group in eastern South Dakota. The client group in each area in 1951 had a larger net worth and had made larger capital accumulations between 1940 and 1951 than the control group.

Favorable prices for farm produce and favorable weather conditions for crop production during the period under study very likely accounts for much of the financial progress of both groups but does not necessarily account for the greater financial progress of the client group.

Objections to the Farm Ownership loan program often center around what are considered its "limiting features"--limitations upon the size of farm which the borrower may purchase, restrictions upon renting or purchasing additional acreages, and required diversification of farm enterprises. It is believed by those voicing these objections that these "limiting features" hinder the financial progress of borrowers. The data on net worth contained in this section does not appear to support the contention that the financial progress of the clients surveyed was retarded by the program's so-called "limiting features."

The capital accumulations of both part and full owners in the two groups are roughly proportional to the length of farm ownership. Had these "limiting features" seriously retarded the financial progress of the client group, their capital accumulations in contrast with those in the control group probably would not have been proportional to the length of farm ownership. This does not prove that the financial progress of the client group was not retarded prior to the time at which the loan was repaid; but if it was retarded prior to loan repayment, they have since compensated for the retardation. However, if the client group was retarded by these "limiting features", the effect upon their capital accumulations appears to have been more than counterbalanced by partially overcoming the effects of capital rationing by means of farm-ownership loans, and thereby, gaining ownership control of a greater amount of capital resources (land) in 1940 than the amount they would have had under other conditions. The effects of capital rationing upon financial progress in the control group are represented, in part, by the 2.5 year delay in achieving farm ownership, ownership control of a smaller amount of land resources when ownership was attained, and a correspondingly smaller accumulation of capital between 1940 and 1951. Since the two groups made financial progress proportional to the length of farm ownership, it appears that the financial retardation of clients resulting from these "limiting features" is less serious or smaller in extent than the financial retardation of control group members resulting from capital rationing. It seems reasonable to conclude that the Farm Ownership loan program, though it may have retarded the financial progress of clients through its "limiting features" to some indeterminate degree, enables farmers to at least partially overcome the effects of capital rationing, and thereby, to make greater financial progress than they otherwise would.

B. FARM INCOME

Income-expense data obtained from respondents came from two sources: (a) farm records, or (b) the farmer's copy of his income tax return. Income tax returns were used as the source for 1951 farm income-expense data for both groups. Farm records yielded 1940 income-expense data for 26 out of 30 client cases. Very few members of the control group had any record of their 1940 income and expense. Therefore, a comparison of the two groups relative to changes in income between 1940 and 1951 was not possible. The alternative was to compare the two groups upon the basis of 1951 total farm income and income per acre.

The sources of income and pattern of expenditure for both groups as groups, or by tenure classes and geographic areas, were reasonably similar, but the amounts varied somewhat. The component elements of income and expense for the farm firm are given in appropriate operating statements in Appendix C.

The client group as a whole averaged $691 more total income in 1951 than the control group (Table 33). Client group income per acre was slightly less, $15.74 in contrast with $16.18, but their farms averaged 59 acres larger; and therefore, their total income was greater by the above amount.

The two groups classified by 1951 tenure classes reveals that part owners in both groups averaged about $3,000 more income in 1951 than full owners (about $11,000 in contrast with about $8,000); and of all tenure classes, full tenants had the least income, or about $5,000.

Full owners in the client group averaged $640 more income than control group full owners on farms which averaged 17 acres larger and the income per acre was $ .75 greater than in the control group. Part owners in the client group averaged $232 more income on farms 124 acres larger than control group farms, but their income per acre was about $2.00 less.

In central South Dakota, the client group averaged $192 less gross income and $1.50 less income per acre than the control group on farms which averaged 79 acres larger than the control group farms (Table 34). The client group in eastern South Dakota obtained $1,519 more in gross income on farms which averaged 38 acres larger than control group farms and income per acre in the client group was nearly $2.00 greater than in the control group.

TABLE 33. AVERAGE TOTAL FARM INCOME AND INCOME PER ACRE, CLIENT AND CONTROL GROUPS, 1951

1951 Tenure Status	Client Group	Control Group	Difference
Full Tenants			
Number of Cases	0	5	--
Size of Farm	--	312	--
Gross Farm Income	--	$4,685	--
Income per Acre	--	$15.02	--
Part Owners			
Number of Cases	12	15	--
Size of Farm	816	692	124
Gross Farm Income	$11,255	$11,023	$232
Income per Acre	$13.79	$15.93	-$2.14
Full Owners			
Number of Cases	17	10	--
Size of Farm	468	451	17
Gross Farm Income	$8,355	$7,715	$640
Income per Acre	$17.85	$17.10	$ .75
All Classes			
Number of Cases	29	30	--
Size of Farm	607	548	59
Gross Farm Income	$9,555	$8,864	$691
Income per Acre	$15.74	$16.18	-$ .44

TABLE 34. AVERAGE TOTAL FARM INCOME AND INCOME PER ACRE, CLIENT AND CONTROL GROUPS, 1951

Geographic Area	Client Group	Control Group	Difference
Eastern South Dakota			
Number of Cases	14	15	--
Size of Farm	369	331	38
Gross Farm Income	$8,736	$7,217	$1,519
Income per Acre	$23.67	$21.80	$ 1.87
Central South Dakota			
Number of Cases	15	15	--
Size of Farm	845	766	79
Gross Farm Income	$10,319	$10,511	-$192
Income per Acre	$12.21	$13.72	-$1.51
Combined Areas			
Number of Cases	29	30	--
Size of Farm	607	548	59
Gross Farm Income	$9,555	$8,864	$691
Income per Acre	$15.74	$16.18	-$.44

Numerous chance factors may account for some of the income variations between the two groups considered as groups or by geographic areas and tenure classes, but the size of farm and the proportion of farm acreage that is owned appear to be important causes for income variations. The client group had larger farms and owned a larger proportion of the land they operated than the control group. It seems reasonable to suppose that some of the smaller gross income in the control group could be associated with a smaller scale of farming and a larger proportion of leased acreages. This would seem to be particularly true for full tenants in the control group who had the lowest income, the smallest farms, and leased all the land they operated. It would also seem to explain much of the income difference between client and control groups in eastern South Dakota where the control group leased about 51 percent of the land operated. Although a higher level of managerial ability may also be partially responsible, the larger income of part owners in both groups in contrast with full owners appears to be mainly a function of a larger scale of farm operations by leasing additional acreages since both full and part owners owned about the same amount of land.

The income contrast between the two geographic areas is a reflection of differences in agriculture in the two areas. Central South Dakota, a relatively high-risk area, is characterized by extensiveness in scale of farm operations, where gross returns per acre are usually smaller; but with larger acreages, the total income on the average farm unit may be more or less depending, to a large extent, upon weather conditions. Eastern South Dakota, in contrast, is characterized by a more intensive type of agricultural enterprise in which gross returns per acre are larger; but with smaller acreages, the total income on the average farm unit, while often less than in central South Dakota, is less variable because weather conditions are more stable; and therefore, there is more stability in farm production. In 1951, both groups in central South Dakota had a larger total income ($1,600 in the client and $3,300 in the control group) than either group in eastern South Dakota. Income per acre was smaller (52 and 63 percent as large in client and control groups respectively) on farms 2.3 times larger in both groups.

C. FARM INCOME AND OPERATING EXPENSE ADJUSTED TO 1940 PRICE LEVELS

The financial progress of both groups occurred in a period of prosperity. The question may be raised: What financial progress would there have been under near-depression conditions and would farm-ownership clients have been able to meet scheduled loan payments? In an attempt to answer this question, farm income and operating expenses for both groups in 1951 were adjusted to 1940 price levels by means of indexes of prices received and paid computed from a 1910-1914 base period 18/ (Tables 35 and 36).

Adjusted net farm income, in most instances, was only about one-half or two-thirds the actual amount reported in 1940 by the client group. Adjusted net farm income ranged from about $1,100 for the client group in eastern South Dakota to about $300 for full tenants in the control group. It appears that members of both groups, particularly the control group as a whole and full tenants in that group, would have difficulty in meeting family living expenses alone if price levels were to fall to the 1940 level. In addition, they would find it almost impossible to meet scheduled interest and mortgage payments if they had such payments to make and capital accumulations would be meager. Family living expenses and scheduled interest and mortgage payments could be paid under these conditions only by more effective control of costs.

Farm operating costs increased relatively more than income between

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18/ The specific price indexes used were: (1) the index of prices received by South Dakota farmers for all commodities in 1951 (339) and in 1940 (101) as reported by the South Dakota Crop and Livestock Reporting Service; and (2) the index of prices paid by United States farmers for all production commodities in 1951 (273) and in 1940 (123) as reported by the United States Department of Agriculture in Agricultural Statistics.

TABLE 35. AVERAGE FARM INCOME ADJUSTED FOR PRICE LEVELS BY TENURE CLASSES, CLIENT AND CONTROL GROUPS, 1940 and 1951

1951 Tenure Status	Client Group			Control Group	
	1940	1951		1951	
	Unadjusted	Unadjusted	Adjusted to 1940 Price Levels	Unadjusted	Adjusted to 1940 Price Levels
Full Tenants					
Gross Farm Income	—	—	—	$4,685	$1,396
Farm Operating Expense	—	—	—	2,437	1,098
Net Farm Income	—	—	—	2,248	298
Part Owners					
Gross Farm Income	$2,475	$11,255	$3,353	11,023	3,285
Farm Operating Expense	951	5,163	2,326	5,593	2,520
Net Farm Income	1,524	6,092	1,027	5,430	765
Full Owners					
Gross Farm Income	2,193	8,355	2,490	7,715	2,299
Farm Operating Expense	934	3,692	1,663	3,808	1,716
Net Farm Income	1,259	4,663	827	3,907	583

TABLE 36. AVERAGE FARM INCOME ADJUSTED FOR PRICE LEVELS BY GEOGRAPHIC AREAS, CLIENT AND CONTROL GROUPS, 1940 and 1951

Geographic Area	Client Group			Control Group	
	1940	1951		1951	
	Unadjusted	Unadjusted	Adjusted to 1940 Price Levels	Unadjusted	Adjusted to 1940 Price Levels
Eastern South Dakota					
Gross Farm Income	$2,194	$8,736	$2,603	$7,217	$2,150
Farm Operating Expense	791	3,284	1,480	3,532	1,592
Net Farm Income	1,403	5,452	1,123	3,685	558
Central South Dakota					
Gross Farm Income	2,448	10,319	3,074	10,511	3,132
Farm Operating Expense	1,144	5,250	2,365	5,412	2,438
Net Farm Income	1,304	5,069	709	5,099	694
Combined Areas					
Gross Farm Income	2,301	9,555	2,847	8,864	2,641
Farm Operating Expense	940	4,301	1,937	4,472	2,015
Net Farm Income	1,361	5,254	910	4,392	626

1940 and 1951 for both groups as a whole and for all tenure and geographic classifications. This seems to indicate a failure to control costs because, in 1951, and for all years during this period except 1940 when the parity ratio was 90 percent, the price-cost ratio was favorable to farmers; that is, the index of prices received exceeded that of prices paid. Therefore, farm income should have increased more than operating expenses; and it presumably would have, had costs been effectively controlled.

The client group in all classifications had a larger net return on an adjusted basis than the control group. This seems to indicate that the client group had maintained better control of costs during the period of 1940 to 1951; that is, their scale adjustments and resource utilization appear to have been better adapted to a rising cost structure than in the control group.

CHAPTER VI

COMPARATIVE PROGRESS IN LEVELS OF LIVING, FAMILY PROTECTION, AND COMMUNITY PARTICIPATION

The purpose of this chapter is to determine the comparative progress which the client and control groups have made between 1940 and 1951 in terms of increased (1) levels of living, (2) amounts and items of family protection (insurance), and (3) extent of community participation.

A. LEVELS OF LIVING

Many criteria may be used for measuring levels of living. The criterion employed here will be the number of items of farm and home convenience possessed by the farm family.

It is recognized that, to a large degree, this criterion measures a material level of living; and as such, it is not necessarily a reliable indicator of the non-material--the mental, moral, spiritual, and social--levels of living. However, farm and home conveniences which relieve drudgery and time consumption in farm activity will tend to produce leisure time for farmers which they may employ in pursuing the non-material things in life.

Convenience goods were employed as level of living indicators because their use tends to vary with changes in income. They, therefore, reflect both the physical and economic conditions under which people live and work in addition to their time-saving attribute. Ordinary consumption goods of the sort which are commonly classed as basic commodities; such as, food and clothing, would not serve the purpose at hand nearly as well. These basic commodities are essential to the function of living; and therefore, the propensity to consume them does not vary greatly with changes in income nor is the consumption of them necessarily productive of leisure time.

It is interesting to note the contrast between 1940 and 1951 in the number of conveniences used on the farm. Both groups more than doubled the number of items used (Table 37). The increased use made of each item on the list can be discovered by a detailed examination of this table. Farm living conditions, as here indicated, have improved greatly in the past decade. Much of this improvement has been made possible by the Rural Electrification program, but much of it also came about because of the economic prosperity which prevailed during this decade.

The client group, in 1940, had a level of living just a little below that of the control group--a level of living index [19] of 6.1 in comparison with 7.0. By 1951, the client group had achieved a level of living slightly superior to that of the control group--an index of 16.9 to 15.0.

Even though the differences in level of living between the two groups at each point in time are not great, the average number of convenience items each group added to their level of living between 1940 and 1951 differed considerably. The client group added an average of 10.8 items of convenience while the control group added an average of 8.0 items. It appears that the client group made progress considerably greater than that of the control group in reaching their respective levels of living.

The level of living index by tenure classes indicates that part

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19/ The level of living index is the simple average of the number of convenience items used on the farm.

TABLE 37. FARM AND HOME CONVENIENCES
AND THE NUMBER OF CASES REPORTING USE OF EACH ITEM
CLIENT AND CONTROL GROUPS, 1940 and 1951

Item	Client Group 1940	Client Group 1951	Control Group 1940	Control Group 1951
1. Electricity in House	5	30	6	27
2. Electricity in Out Buildings	4	28	3	26
3. Running Water in House	6	24	9	18
4. Kitchen Sink with Drain	6	26	10	25
5. Hot Water in House	4	20	4	18
6. Standard Three-Piece Bathroom	4	22	2	18
7. Electric or Gas Cook Stove	4	29	6	26
8. Electric Sewing Machine	0	6	0	4
9. Electric Washer	3	28	3	25
10. Electric Iron	2	30	2	27
11. Electric Refrigerator	2	29	2	26
12. Deep Freezer	0	14	0	9
13. Use of Commercial Locker	9	19	12	20
14. Central Heating	7	20	4	13
15. Telephone	14	22	16	25
16. Radio in House	26	30	28	30
17. Car less than 3 years old	5	25	11	17
18. Tractor less than 3 years old	6	21	13	11
19. Weekly Newspaper	23	27	26	30
20. Daily Newspaper	24	28	24	25
21. Farm Magazine	29	30	30	30
Total Number of Convenience Items	183	508	211	450
Number of Cases	30	30	30	30
Average Number of Convenience Items per Case	6.1	16.9	7.0	15.0
1940 to 1951 Increase		10.8		8.0

owners in both groups at both points in time had a level of living somewhat superior to that of either full tenants or full owners; and of all tenure classes, full tenants had the lowest level of living (Table 38). The index for each tenure class in both groups in 1951 was 2.0 to 2.9 times greater than it was in 1940 with the client group showing the greater absolute and proportional increases.

Differences in levels of living between tenure classes and between the two groups, as well, appear to be closely associated with their rel-

TABLE 38. LEVEL OF LIVING INDEX BY TENURE CLASSES, CLIENT AND CONTROL GROUPS, 1940 and 1951

1951 Tenure Status	Client Group				Control Group			
	Number of Cases	1940	1951	1940 to 1951 Increase	Number of Cases	1940	1951	1940 to 1951 Increase
Full Tenants	0	--	--	--	5	5.4	10.1	4.7
Part Owners	12	7.0	18.0	11.0	15	7.4	16.7	9.3
Full Owners	18	5.6	16.2	10.6	10	7.3	14.8	7.5
All Tenure Classes	30	6.1	16.9	10.8	30	7.0	15.0	8.0

TABLE 39. LEVEL OF LIVING INDEX BY GEOGRAPHIC AREAS, CLIENT AND CONTROL GROUPS, 1940 and 1951

Geographic Area	Client Group				Control Group			
	Number of Cases	1940	1951	1940 to 1951 Increase	Number of Cases	1940	1951	1940 to 1951 Increase
Eastern South Dakota	15	4.9	15.7	10.8	15	5.2	13.2	8.0
Central South Dakota	15	7.3	18.1	10.8	15	8.9	16.8	7.9
Combined Areas	30	6.1	16.9	10.8	30	7.0	15.0	8.0

ative income and net worth (Chapter V). The level of living index tends to be lower when income and net worth are small, and higher when income and net worth are larger.

Both groups in central South Dakota had higher levels of living at both points in time than those in eastern South Dakota (Table 39), but the client group in both areas showed the greater absolute and proportional gain in level of living between 1940 and 1951.

Differences in levels of living between eastern and central South Dakota appear to be explainable partially upon bases other than income and net worth. Higher levels of living in central South Dakota are partly accounted for by three factors: (a) a supply of artesian water on many farms in this area facilitated the earlier use of many home conveniences, (b) the extensiveness of farming in that area promoted earlier mechanization of farm operations, and (c) both of the preceding factors stem partially from the "wheat prosperity" that prevailed in this area during the 1920's.

B. FAMILY PROTECTION

Farming at the present time has become more than simply a way of life. It has become a business, and as a business it probably should follow what is considered to be good business practice in reducing risk by means of various forms of insurance. This raises the question: Has the farmer, as a businessman, kept pace with good business practice in reducing his risk by means of insurance? Or more pertinent to this analysis, what effect has achieving farm ownership had upon the risk reduction practice of farmers in the client and control groups and how do the two groups compare in this respect?

The two groups are very nearly on par with each other in the average amount of life insurance carried in 1940 and 1951, and both groups had, by 1951, slightly more than doubled the amount of life insurance carried--in round figures, $1,500 in 1940 and $3,500 in 1951 (Table 40).

Part owners in both groups increased the average amount of life insurance carried between 1940 and 1951 more than any other tenure class--an increase of about $2,500 in contrast with $1,600 for full owners and $800 for full tenants. Full and part owners in the client group registered slightly larger increases in the amount of life insurance carried than these tenure classes in the control group.

In 1951, client group part owners carried the largest average amount of life insurance, about $4,700, or about $1,000 more than control group part owners, and $1,800 more than full owners in the client group. Full and part owners in the control group in 1951 carried about the same average amount of life insurance. Full tenants in 1951 carried one-half or less the amount carried by any other tenure class in either group.

Both groups in central South Dakota carried larger amounts of life insurance in 1951 than in eastern South Dakota (Table 41). The client group in central South Dakota not only carried a larger average amount of life insurance, $4,200, but registered a larger increase, $3,000, between 1940 and 1951 than either group in either area. In eastern South Dakota, the client group increased the amount of life insurance carried by $1,200 while the control group made an $1,800 increase but both groups carried the same amount, $3,100, of life insurance in 1951. The control group in both areas made identical increases, $1,800, between 1940 and 1951.

TABLE 40. AVERAGE AMOUNT OF LIFE INSURANCE CARRIED BY TENURE CLASSES, CLIENT AND CONTROL GROUPS, 1940 and 1951

1951 Tenure Status	Client Group				Control Group			
	Number of Cases	1940	1951	1940 to 1951 Increase	Number of Cases	1940	1951	1940 to 1951 Increase
Full Tenants	0	--	--	--	5	$ 700	$1,500	$ 800
Part Owners	12	$2,000	$4,700	$2,700	15	1,300	3,700	2,400
Full Owners	18	1,300	2,900	1,600	10	2,200	3,800	1,600
All Tenure Classes	30	1,600	3,600	2,000	30	1,500	3,300	1,800

TABLE 41. AVERAGE AMOUNT OF LIFE INSURANCE CARRIED BY GEOGRAPHIC AREAS, CLIENT AND CONTROL GROUPS, 1940 and 1951

Geographic Area	Client Group				Control Group			
	Number of Cases	1940	1951	1940 to 1951 Increase	Number of Cases	1940	1951	1940 to 1951 Increase
Eastern South Dakota	15	$1,900	$3,100	$1,200	15	$1,300	$3,100	$1,800
Central South Dakota	15	1,200	4,200	3,000	15	1,800	3,600	1,800
Combined Areas	30	1,600	3,600	2,000	30	1,500	3,300	1,800

The progress of the two groups in terms of increased casualty insurance coverages between 1940 and 1951 is also very nearly equal (Table 42). Both groups slightly more than doubled the number of casualty insurance coverages carried from about 1.1 in 1940 to 2.7 in 1951. The client group made a slightly greater increase in the average number of items covered--an average increase of 1.8 items compared with a 1.4 item increase by the control group. The pattern of casualty coverages in both groups was similar.

TABLE 42. TYPES OF CASUALTY INSURANCE AND THE NUMBER OF EACH TYPE CARRIED, CLIENT AND CONTROL GROUPS, 1940 and 1951

Kind of Insurance	Client Group 1940	Client Group 1951	Control Group 1940	Control Group 1951
1. Health, Accident, or Hospitalization	1	13	3	13
2. Mortgage Insurance	1	2	0	0
3. Automobile Insurance	8	27	11	27
4. Fire Insurance	16	28	16	26
5. Crop Insurance	3	15	5	13
Total Number of Casualty Insurance Coverages	29	85	35	79
Number of Cases	30	30	30	30
Average Number of Casualty Coverages per Case	1.0	2.8	1.2	2.6
1940 to 1951 Increase	--	1.8	--	1.4

The major part of the difference between the two groups in the number of casualty coverages arises from the fact that five members of the control group were tenants; and as tenants, they would not carry certain forms of casualty insurance such as fire insurance on buildings. When this bias is removed by classifying the two groups according to tenure classes, the progress of the two groups in this respect is nearly equal in the full and part owner tenure classes (Table 43). Full owners in both groups added an identical number of casualty coverages, 1.6 items, between 1940 and 1951. Client group part owners added a slightly larger number of casualty coverages than control group part owners--2.0 items in contrast with 1.7 items. Full tenants in the control group increased the number of casualty coverages by 1/3 or less the number added in other tenure classes or about one-half a coverage between 1940 and 1951.

TABLE 43. AVERAGE NUMBER OF CASUALTY INSURANCE COVERAGES BY TENURE CLASSES, CLIENT AND CONTROL GROUPS, 1940 and 1951

1951 Tenure Status	Client Group				Control Group			
	Number of Cases	1940	1951	1940 to 1951 Increase	Number of Cases	1940	1951	1940 to 1951 Increase
Full Tenants	0	--	--	--	5	1.4	1.8	.4
Part Owners	12	0.8	2.8	2.0	15	1.0	2.7	1.7
Full Owners	18	1.1	2.7	1.6	10	1.3	2.9	1.6
All Classes	30	1.0	2.8	1.8	30	1.2	2.6	1.4

The client group in both eastern and central South Dakota added a slightly larger number of casualty coverages between 1940 and 1951 than the control group added in these areas (Table 44). Both groups in central South Dakota had added as many or more casualty insurance coverages as either group in eastern South Dakota; and in 1951, both groups carried an identical number of coverages, 2.9 items. This number of coverages was larger than for either group in eastern South Dakota.

TABLE 44. AVERAGE NUMBER OF CASUALTY INSURANCE COVERAGES BY GEOGRAPHIC AREAS, CLIENT AND CONTROL GROUPS, 1940 and 1951

Geographic Area	Client Group: Number of Cases	Client Group: 1940	Client Group: 1951	Client Group: 1940 to 1951 Increase	Control Group: Number of Cases	Control Group: 1940	Control Group: 1951	Control Group: 1940 to 1951 Increase
Eastern South Dakota	15	.9	2.7	1.8	15	1.1	2.3	1.2
Central South Dakota	15	1.1	2.9	1.8	15	1.3	2.9	1.6
Combined Areas	30	1.0	2.8	1.8	30	1.2	2.6	1.4

These data on life and casualty insurance coverages for the two groups suggest that the amounts and number of items of insurance carried tend to be influenced by tenure status. Achievement of farm ownership appears to promote increased amounts and items of insurance coverage. Location in a high-risk area, such as central South Dakota, does not seem to have had any substantial effect upon the insurance coverages carried by either group. In general, favorable economic conditions are probably responsible for the wider use of insurance than would have otherwise prevailed in either group.

C. COMMUNITY PARTICIPATION

Rural Sociologists contend that farm ownership promotes good citizenship and greater participation in community life. The assumption on which this hypothesis rests is that stable tenure with a more permanent location should result in greater interest and activity in community affairs. It must be recognized that changed tenure circumstances will not necessarily result in or cause all persons experiencing farm ownership to become equally active in community affairs. Certain individuals by endowment, habit, or training are not as sociable as others and prefer not to be active in community affairs regardless of tenure. Also, it must be recognized that the extent to which an individual can participate in community affairs is limited to varying degrees by business and occupational demands upon the time and energies of the individual. These two factors introduce considerable variation between persons as to extent of community participation. However, in considering two groups of individuals, these variations between persons in extent of community participation should be about the same in each group.

Members of both groups were asked to indicate the extent of their community participation by listing the number of memberships in social and religious organizations and the number of public offices held in both 1940 and 1951. The resulting list of organizations and public offices was surprisingly large (Table 45).

Although both groups were almost equally active in community affairs in 1951, the client group made more progress than the control group in extending their participation in community life. In 1951, client group members were participating in an average of 6.2 community activities or about three more than in 1940. Control group members, in contrast, engaged in 6.4 community activities in 1951 or about two more than in 1940, but they were more active in community affairs in 1940 than were client group members. 20/

Full owners in both groups increased the extent of community partic-

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20/ The expressions "active in community affairs" and "community activity" or "activities" are used here to denote the number of memberships in social and religious organizations and the number of public offices held rather than the amount of attendance.

TABLE 45. NUMBER OF MEMBERSHIPS IN COMMUNITY ORGANIZATIONS AND PUBLIC OFFICES HELD, CLIENT AND CONTROL GROUPS, 1940 and 1951

Organization	Client Group		Control Group	
	1940	1951	1940	1951
Farm Organizations				
Farmers Union	9	17	8	13
Farm Bureau	0	4	1	5
Grange	1	0	0	0
Farm Cooperatives				
Cream	5	14	8	13
Oil	6	11	6	13
Grain	9	21	7	14
Lumber	0	1	0	2
Other	0	4	1	9
Farm Improvement Associations				
Crop	1	3	1	2
Swine	0	0	0	1
Wheat	1	2	0	3
Cattle	0	4	0	3
Soil Conservation	0	3	0	4
Community Organizations				
Extension Club	2	5	4	7
Community Club	3	4	1	4
Royal Neighbors	2	2	0	0
Parent-Teachers	1	5	3	4
Fraternal and Patriotic Organizations				
Fraternal	3	6	7	9
Veteran	1	1	6	5
Veteran Auxiliary	0	1	1	1
Religious Organizations				
Church	25	28	28	29
Sunday School	10	12	14	11
Ladies Aid	5	7	12	11
Brotherhood	0	2	2	2
Public Offices				
Assessor	1	0	0	1
Town Board	3	11	5	7
School Board	9	11	8	11
County Commissioner	0	1	0	0
AAA Committee	1	1	4	5
FHA Committee	0	1	0	0
Extension Board	0	1	0	1
Draft Board	0	1	0	0
Precinct Chairman	1	1	0	1
Total	99	186	127	191
Average	3.3	6.2	4.2	6.4
1940 to 1951 Increase	--	2.9	--	2.2

ipation by about two activities, but control group full owners were more active in community affairs at both points in time by about one activity (Table 46). Part owners in both groups were equally active in community affairs in 1951, but client group part owners increased the number of activities in which they participated by about four activities or twice the increase in the control group. Full tenants registered a smaller increase in community activities, an increase of about one activity, and they participated in a smaller number, 4.4, of community affairs in 1951 than any other tenure class in either group.

There does not appear to be any consistent relationship between full and part owner tenure classes, per se, in either group as to the extent of community participation in either 1940 or 1951, but full owners in both groups tended to be more active in community affairs than part owners. However, both full and part owners were more active in community affairs in 1951 and had increased the extent of community activity between 1940 and 1951 more than full tenants.

In both eastern and central South Dakota the client group increased the number of community activities in which they participated between 1940 and 1951 more than the control group in these areas (Table 47). The control group in central South Dakota was the most active in community affairs at both points in time. In eastern South Dakota both groups were about equally active in community affairs in 1940; but by 1951 the client group participated in 6.7 community activities, or an average of one activity more than the control group in this area. There does not appear to be any consistent relationship between geographic areas as to the extent of community activity in either 1940 or 1951, but both groups in central

TABLE 46. AVERAGE NUMBER OF ORGANIZATIONAL MEMBERSHIPS BY TENURE CLASSES, CLIENT AND CONTROL GROUPS, 1940 and 1951

1951 Tenure Class	Client Group Number of Cases	1940	1951	1940 to 1951 Increase	Control Group Number of Cases	1940	1951	1940 to 1951 Increase
Full Tenant	--	--	--	--	5	3.2	4.4	1.2
Part Owner	12	2.1	6.4	4.3	15	4.2	6.5	2.3
Full Owner	18	4.1	6.1	2.0	10	4.8	7.1	2.3
All Classes	30	3.3	6.2	2.9	30	4.2	6.4	2.2

TABLE 47. AVERAGE NUMBER OF ORGANIZATIONAL MEMBERSHIPS BY GEOGRAPHIC AREAS, CLIENT AND CONTROL GROUPS, 1940 and 1951

Geographic Area	Client Group Number of Cases	1940	1951	1940 to 1951 Increase	Control Group Number of Cases	1940	1951	1940 to 1951 Increase
Eastern South Dakota	15	4.1	6.6	2.5	15	3.9	5.7	1.8
Central South Dakota	15	2.5	5.8	3.3	15	4.5	7.0	2.5
Combined Areas	30	3.3	6.2	2.9	30	4.2	6.4	2.2

South Dakota increased the number of community activities more than their counterparts in eastern South Dakota.

It appears from these data that farm ownership in contrast with farm tenancy does have an influence upon the extent of community participation. Apparently stability in tenure results in a greater interest and participation in community life. However, much of the increase in community activity in any instance may be largely a function of a greater amount of leisure time. Moreover, this method of measurement does not indicate anything about the quality of participation in community affairs.

CHAPTER VII

REACTIONS AND PLANS OF CLIENTS AND NON-CLIENTS

An evaluation of any social or economic program dealing specifically and directly with people should examine client reactions to the program for indications of its success or failure in dealing effectively with the individual. Accordingly, in this chapter an appraisal of both client and non-client reactions to the Farm Ownership program is attempted with this purpose in view.

A. REACTIONS TO THE PROGRAM

Reactions were solicited by means of the question: What suggestions would you make for improving the Farm Ownership program? The purpose in asking a generalized question of this order was to elicit responses which were as unbiased as possible. Generalized questions were also directed toward various aspects of the program and were supplemented by asking respondents for their criticisms of the program. The objective in this form of an interview was to obtain responses over as wide a range of items as possible. Qualitative rather than quantitative responses were sought in the interview.

Each individual in both groups was allowed to make as many responses as he wished or none at all, if he were thus inclined. The responses any individual made were entered into the schedule by the enumerator, as nearly as possible, in the exact words of the respondent. The respondent was then asked to approve the wording and meaning of these response entries as being consistent with his ideas.

Client and non-client responses were categorized into three groups: (1) responses made by both clients and non-clients, (2) responses made by clients only, responses which non-clients could not reasonably be expected to make, and (3) responses made only by non-clients. Two individuals in the client group and four in the non-client group chose not to respond in any respect (Table 48).

TABLE 48. REACTIONS TO THE FARM OWNERSHIP LOAN PROGRAM AND FREQUENCY OF RESPONSE, CLIENT AND CONTROL GROUPS

Reaction to the Farm Ownership Loan Program	Frequency of Response	
	Client Group	Control Group
Number of Non-Respondents	2	4
1. The program provided an opportunity for tenants to become owners	12	16
2. The program worked satisfactorily	14	2
3. More supervision should be used where necessary	3	1
4. The program helped the country	1	3
5. Loans should be made according to land price levels	2	1
6. Current farm prices are too high for this type of loan program	2	2
7. Limitations on size of farm are objectionable	3	2
Total	37	27

Nearly one-half the members of both groups expressed the idea that the Farm Ownership program provided tenants with an opportunity to achieve farm ownership. In the opinion of about one-half the client group and several members of the control group, the program worked satisfactorily, and several members in both groups thought the program had helped the country. However, several members of both groups thought that more supervision should be used where necessary, and that limitations upon the size of farm purchased under the program were objectionable.

There was a conflict of opinion in both groups regarding loan size and lending at the present time. Several members of both groups were of the opinion that current prices on farm real estate are too high for this type of loan program while several members in both groups were of the opinion that farm-ownership loans should be made according to land price levels.

Reactions which only clients could make toward the program were more or less specific and reveal some interesting differences of opinion (Table 49). Eight clients expressed the opinion that they thought the supervision of clients was adequate, five clients stated that supervisors did not interfere with farm operations, one client suggested that the amount of supervision depended upon the farmer, and three clients commented that some supervisors can supervise while others can not. One client was very vehement in stating that he thought that supervisors were too personal and that they assumed too much responsibility; and that they should therefore be changed more often.

Nearly one-third of the clients admitted that record keeping was all right; and although they did not continue keeping records, they thought they probably should keep records. One client said that keeping records was not troublesome, but another thought record keeping and budgeting were objectionable.

The thought that the program has been limited to too few people was

TABLE 49. REACTIONS AND FREQUENCY OF RESPONSE OF CLIENTS TO THE FARM OWNERSHIP LOAN PROGRAM

Reaction to the Farm Ownership Loan Program	Frequency of Response
1. Change supervisors more often	1
2. Supervisors were too personal	1
3. Supervisors assumed too much responsibility	1
4. Some supervisors can supervise and others can not	3
5. Amount of supervision depended upon the farmer	1
6. Supervisors did not interfere with farm operations	5
7. Supervision was adequate	8
8. Record keeping was no trouble	1
9. Record keeping and budgeting was objectionable	1
10. Building plans were imposed without regard to my wishes	2
11. Variable payment plan worked very well	1
12. Too much red tape	5
13. Keeping records was all right. Although I did not continue keeping records, I probably should	9
14. I did not get the farm I wanted	1
15. The Insurance Company for property insurance was compulsory	1
16. More cattle and diversification should be required	1
17. Time lapse between application and approval was too long	1
18. Borrowers should be allowed to operate more land	1
19. The program has been limited to too few people	2
20. I was too old when I came on the program	1
21. Annual meetings and the ideas presented at them were good	1
22. I was not allowed to pay up as soon as I wished	1
Total	49

expressed by two clients. One client declared that he was too old when he came on the program. Several comments about the program, each made by a single client, were: "the variable payment plan worked very well," "the annual meetings and the ideas presented at them were a good thing," "more cattle and diversification should be required," and "borrowers should be allowed to operate more land."

Most of the complaints about the program were made by a single individual in each instance. These complaints were: "The time lapse between application and approval for a loan was too long;" "I did not get the farm I wanted;" "I was not allowed to pay up as soon as I wanted to;" "building plans were imposed without regard to my wishes;" and "the insurance company for property insurance was compulsory." Five clients complained of too much "red tape."

Eleven non-clients professed not to know much about the Farm Ownership program, but those members of the control group who commented on the program made some interesting observations about the program (Table 50).

Six non-clients thought the Farm Ownership loan program acted as a monitor of rates and terms in agricultural credit. One non-client thought that the Farm Ownership program is better than the Federal Land Bank for financing farm purchases.

One non-client believed that the program requires too much diversification. Another non-client felt that FHA rules were too hard and fast; and that instead, more use should be made of client judgment. Two non-clients thought that family background determines success under the program. Only one non-client commented about not benefiting by the program, but he said that he thought it was a fine program.

TABLE 50. REACTIONS AND FREQUENCY OF RESPONSES OF NON-CLIENTS TO THE FARM OWNERSHIP LOAN PROGRAM

Reaction to the Farm Ownership Loan Program	Frequency of Response
1. Don't know much about it	11
2. Program monitors agricultural credit rates and terms	6
3. Program requires too much diversification	1
4. Family background determines success under program	2
5. Some clients misused the program, but they did not last long	2
6. The poorer the risk, the more acceptable it is to the FHA	1
7. FHA rules are too hard and fast. More use should be made of client judgment	1
8. The Farm Ownership program is better than the Federal Land Bank for making farm purchases	1
9. I don't like government doing so much. Private enterprise should rule except for cooperatives	1
10. Fine program, though I didn't benefit from it	1
Total	27

The idea that the poorer the risk a farmer is, the more acceptable he is under FHA credit programs was suggested by one non-client. Two non-clients observed that some clients misuse the program; but they also had noted that clients who abuse the program did not remain on the program very long. One non-client said: "I do not like to see the government doing so much to aid farmers or others." He went on to say: "Except for cooperatives, private enterprise should be the rule in our economy."

It appears from both client and non-client reactions to the Farm Ownership program that the program is reasonably effective in dealing with individual clients and is favorably accepted by farmers as an opportunity to achieve farm ownership which might be otherwise more difficult to attain. The majority of complaints about the program were directed at details of its operation rather than at the program as a whole.

B. PLANS FOR THE FUTURE

Each respondent in both groups was asked several questions concerning his plans for the future. These questions were designed to determine the respondent's adjustment to farming as an occupation.

TABLE 51. PLANS FOR THE FUTURE, CLIENT AND CONTROL GROUPS

Item	Client Group			Control Group		
	Yes	No	Don't Know	Yes	No	Don't Know
Do you plan:						
To continue farming as an occupation?	29	0	1	28	0	2
To remain on the farm you have purchased for the rest of your life?	27	0	3	24	0	6
To make any long-range improvements on your farm?	27	2	1	28	0	2
To leave your farm to your heirs by will or other definite arrangement?	25	0	5	26	1	3

Almost all farmers in both groups plan to continue farming as an occupation; 80 to 90 percent plan to remain on the farm which they have purchased for the remainder of their lives; 80 to 85 percent have made plans for leaving their farm to their heirs by some form of definite transfer arrangement, such as a will; and 90 percent have plans in mind for long-range improvements on the farm (Table 51).

Based upon these data, farmers in both groups could be considered reasonably and equally well adjusted to farming as an occupation.

CHAPTER VIII

SUMMARY AND CONCLUSION

A. SUMMARY

Federal assistance has often been invoked in efforts to achieve the goal of family farm ownership in the United States. The Farm Ownership loan program of the Farmers Home Administration represents a direct, continuing governmental effort to establish a pattern for achieving family farm ownership and the associated security of tenure which it symbolizes. The rates and terms of credit for farm purchases afforded qualified borrowers under the Farm Ownership program are, theoretically at least, adapted to the farm income situation and pattern as it is altered by changing price and farm production conditions.

The Farm Ownership program has been subjected to several appraisals at state and national levels. None of these appraisals compared client progress with that of non-clients in evaluating the Farm Ownership program as a means for achieving ownership of family-type farms. Therefore, it was decided that the major objective of this thesis would be to determine the value and effectiveness of the Farm Ownership loan program as a means for achieving family farm ownership in South Dakota by comparing the social and economic progress of a representative group of Farm Ownership program clients with that of a representative group of non-clients.

A survey was conducted in which socio-personal data were obtained along with data on income, net worth, level of living, family protection (insurance), community participation, farm purchase terms, acreages rented and owned, land use, and farm management practice from a group of thirty 1940 Farm Ownership program clients and a control group of 30 non-clients who had financial circumstances in 1940 similar to those of the client group.

The financial comparability of the two groups was indicated by similarity of mean and range of 1940 personal property tax values and 1940 net worth as determined by this survey.

The sociological comparability of the two groups was indicated by the existence of only minor differences between groups with respect to age; total size of family and average number of children at home in 1940; nationality background; church preference; number of years in school; and the kinds and amounts of farm experience prior to 1940.

Farm purchases by members in both groups were made under reasonably comparable terms except for the major difference in initial or down payment requirements. All thirty members of the client group purchased farm units in 1940 under the Farm Ownership program without down payments. These units averaged 370 acres at an average cost of $7,284 per unit. Twenty-five control group members purchased farms by various alternative methods of farm purchase financing with an average down payment of $2,593. These units averaged 330 acres at an average cost of $8,089 per unit. Five client cases had an average principal balance of $3,439 in 1951 while eight control cases had $5,042 in principal balance. The period of farm ownership in the client group was 12 years while in the control group it was 9.5 years.

Fifteen of the 30 members in the client group purchased an average of 255 acres of additional land while only six members of the control group purchased an average of 412 acres of additional land. The additional land purchased has been owned for an average of five years in the client group and six years in the control group.

The client group increased the average size of farm units between 1940 and 1951 by leasing or purchasing an additional 159 acres while the control group added an average of 55 acres; and by 1951, they owned farm units averaging 59 acres larger than control group farms--607 and 548 acres, respectively. In 1951, the client group owned 84 percent and the control group owned 65 percent of the land controlled. These contrasts between the two groups hold, although not to the same degree, by geographic areas and tenure classes.

Part owners in both groups had larger farms at both points in time and added a larger number of acres to their farm units between 1940 and 1951 by lease or purchase than either full owners or tenants; and of all tenure classes, full tenants had the smallest farms and had added the smallest number of acres. Part owners in the client group owned a larger proportion of the land operated than those in the control group. Both groups in central South Dakota had larger farms at both points in time but the proportion of acres owned was smaller and the increase in farm size was greater in the client group but slightly less in the control group than in eastern South Dakota.

Land use patterns, insofar as indicated by the proportion of acres in grain crops, reveal that the client group as a whole, and by tenure and geographic classifications, had by 1951, made the most progress in reducing the proportion of acres in grain crops; and in most classifications, the client group had the smaller proportion of acres in grain crops at both points in time. Part owners in both groups registered more progress in reducing the proportion of acres in grain crops than either full owners or tenants. In central South Dakota both groups had a smaller proportion of acres in grain crops at both points in time and made a larger reduction in the proportion between 1940 and 1951 than in eastern South Dakota.

Client group members as a group, and by tenure and geographic classifications, employed more recommended farm practices in 1951 and had added a larger number of these practices between 1940 and 1951 than the control group. Full owners in both groups at both points in time employed as many or more of these recommended farm practices than either tenants or part owners; and although part owners in both groups employed the smallest average number of these practices in 1951, they had made the larger increase in the number of practices employed between 1940 and 1951.

Members of the client group were able to recall only 19 specific farm practices recommended to them by FHA supervisors. According to clients, supervisors made less than two on-the-farm visits annually. Control group landlords, as a group, did nearly as well, but two-thirds of them did not visit the farm more than the uncounted annual business visit. Except for five client and two control group cases who kept comprehensive farm records, the only current farm records kept by members in either group were minimum income and expense records for income tax purposes.

The client group, beginning with an inferior net worth position in 1940 as a group and in all tenure and geographic classifications except in eastern South Dakota, consistently made larger capital accumulations between 1940 and 1951 by tenure classes and geographic areas to achieve a net worth position in 1951 superior to that of the control group. Part owners in both groups made larger capital accumulations during this period and had a net worth position superior to that of either full owners or full tenants; and of all tenure classes, full tenants made the smallest capital accumulations and had the lowest net worth position. The capital accumulations of part and full owners in the two groups are approximately proportional to the length of farm ownership. Both groups in central South Dakota had made larger capital accumulations between 1940 and 1951 and had a net worth position in 1951 superior to that of either group in eastern South Dakota.

Farm income in the client group as a group and in all tenure and geographic classifications except in central South Dakota was larger in 1951 than in the control group, but client farms in all instances were also larger. Part owners in both groups had larger 1951 incomes than either full owners or tenants, and full tenants had the lowest income of all tenure classes. Both groups in central South Dakota had larger incomes than either group in eastern South Dakota.

Farm income and expense in 1951 for both groups adjusted to 1940 price levels indicated that farm operating expenses had increased relatively more than income between 1940 and 1951 and the client group in all tenure and geographic classifications had a larger adjusted net return than the control group.

The client group, beginning with an inferior level of living in 1940 as a group and in all tenure and geographic classifications, consistently added a larger number of convenience items between 1940 and 1951 to achieve a level of living in 1951 superior to that of the control group. Part owners in both groups in 1951 had a higher level of living and had made a larger increase in level of living than any other tenure class; and of all tenure classes, full tenants had the lowest level of living at both points in time and had made the smallest level of living increase between 1940 and 1951. Members of both groups in central South Dakota had higher levels of living at both points in time than in eastern South Dakota, but progress in raising levels of living in both groups in both areas was equal.

The amounts of life insurance carried at both points in time by both groups were almost identical, and both groups had, by 1951, slightly more than doubled the amount of life insurance carried in 1940. No consistent relationship between the two groups by tenure or geographic classifications emerged as to amounts of life insurance carried at either point of time or increases in the amount of life insurance. Part owners in both groups carried larger amounts of life insurance in 1951 and had increased the amount carried between 1940 and 1951 more than any other tenure class; and of all tenure classes, full tenants carried the smallest amount of life insurance at both points in time and made the smallest increases in the amount carried between 1940 and 1951. Both groups in central South Dakota carried $500 to $1,000 more life insurance in 1951 than either group in eastern South Dakota.

The number of casualty insurance coverages carried at either point in time and the increases in the number carried between 1940 and 1951 for both groups as groups and by tenure and geographic classifications, except for full tenants in the control group, did not vary greatly. Part and full owners in both groups carried about equal numbers of casualty coverages in 1951, but part owners had made slightly larger increases in the number of items carried; and of all tenure classes, full tenants carried the smallest number of casualty insurance coverages at both points in time and had made the smallest increase in the number of items carried. Both groups in central South Dakota carried a slightly larger number of casualty insurance coverages at both points in time and had increased the number carried between 1940 and 1951 only slightly more than in eastern South Dakota.

Both groups were about equally active in community affairs in 1951, but the client group had increased the extent of community participation slightly more than the control group. No consistent relationship between the two groups by tenure or geographic classifications emerged as to the extent of community participation at either point in time or increases in the extent of community participation. Likewise, there was no consistent relationship between full and part owner tenure classes and between geographic areas as to the number of community activities in either 1940 or 1951, but part owners in both groups and both groups in central South Dakota increased the extent of community activity as much or more than full owners in both groups and both groups in eastern South Dakota. Full tenants in the control group were the least active at both points in time and increased the extent of community participation less than any other tenure class.

Clients and non-clients alike felt that the program furnished an opportunity for farm tenants to become farm owners; that the program worked well; that at the present time land prices are too high for this type of loan program, although some thought the loan amounts should vary with land price levels; and that limiting the size of farms is objectionable. Supervision of clients was judged adequate and non-interfering by most clients, but some clients felt that more supervision should be used where necessary. Some clients thought the program involved too much "red tape." A fair proportion of clients thought keeping farm records was all right, although most of them did not continue the practice. Several clients thought the program was restricted to too few people.

Several non-clients thought the farm-ownership loan program benefited farmers by monitoring mortgage credit rates and terms; that family background was the determinant of success or failure under the program; and that occasionally clients abused the opportunity afforded them by the program.

Members of both groups, in almost equal numbers, had similar plans for the future. A large proportion of both groups planned to continue farming as an occupation, to remain on the farm purchased, to leave the farm to heirs by means of a definite transfer arrangement, and to make long-range improvements on the farm.

B. CONCLUSIONS

1. The economic and social circumstances of both groups were reasonably similar in 1940, and both groups had had similar opportunities to achieve farm ownership. Farm ownership could have been achieved earlier by members of both groups, since the opportunity was present, but economic confidence was lacking.

2. The 2.5 year delay in achieving farm ownership for those members of the control group who attained this status is a function of down payment requirements and personal decision in the face of economic uncertainty. This time period was significant because of generally rising prices during the period under study.

3. Except for down payment requirements, the terms and conditions of farm purchase financing were not greatly different for the two groups.

4. The client group members by means of farm-ownership loans were able to at least partially overcome the effects of capital rationing and to obtain ownership control over more land resources in 1940 than the control group and the control of adequate land resources sooner than they otherwise would. This appears to have been responsible for:

a. A larger number of client group members than control group members achieving a financial position which permitted them to lease or purchase additional land resources, and thereby, to control larger acreages and to own a larger proportion of acreages controlled.

b. The larger capital accumulations made by the client group between 1940 and 1951 and their superior 1951 net worth position in contrast with the control group.

c. The larger 1951 income of the client group in contrast with the control group.

d. The higher level of living and larger increases in levels of living made by the client group in contrast with the control group.

e. Scale adjustments and resource utilization in the client group which were better adapted to a rising cost structure than in the control group.

f. The greater progress of the client group than the control group in reducing the proportion of acres in grain crops. Reduction of grain crop acreages can be associated, in addition to the factor of relative prices, with the length of time the farm has been owned and clear of indebtedness.

5. Differences in the comparative progress of both groups and their position at either point in time relative to community participation, amounts and numbers of items of family protection do not appear large enough to be significant or to warrant any conclusions relative to these factors.

6. The supervision of clients in this survey did little more than keep them abreast with the level of farm practice which prevailed in the community in which they lived, and clients, by virtue of being selected partially upon their reputation as farmers, might have done as well without supervision.

7. Supervision of clients does not appear to have been effective as indicated by the infrequency of supervisory on-the-farm visits, client recollection of very few supervisor recommended farm practices, and the discontinuance of record keeping by most clients after leaving the program.

8. The greater economic progress of part owners in both groups in contrast with full owners or tenants is largely the result of larger scale of farm operations, although a higher level of managerial ability may also be partially responsible. Conversely, the small economic progress of full tenants in the control group is the result of a small scale of farm operations, inability to overcome the effects of capital rationing, and perhaps less managerial ability.

9. The greater economic progress of both groups in central than in eastern South Dakota is the result of a larger scale of farm opera-

tions coupled with unusually favorable crop yields and prices in relation to land values in that area during the period under study.

10. The value of the Farm Ownership loan program arises from its minimum down payment requirement and the opportunity it affords farmers to partially overcome capital rationing sooner than they would otherwise; and if economic conditions are propitious, a consequential time and economic advantage to clients.

C. IMPLICATIONS

Implications based upon these conclusions are: (1) farm purchases early in a period of generally rising prices usually give the purchaser a very favorable opportunity to pay for the farm and to accumulate capital because of the usually favorable cost-price ratio; (2) the Farm Ownership program should have a more flexible size of farm policy--one which gives greater recognition to changing farm production conditions, processes, and techniques and to differing personal needs, preferences, and abilities or capacities; (3) the Farm Ownership program should have an integral process of continuous self-examination directed to the eradication or rectification of malfunctions and operational details which are non-essential, excessively complicated, or unnecessarily burdensome to both FHA clients and supervisory personnel; (4) the value of the Farm Ownership program rests in its opportunistic function--providing farmers with the means for overcoming capital rationing and economic uncertainty in agriculture at propitious stages in the economic cycle.

D. LIMITATIONS OF THIS STUDY

This study was intended to be a preliminary investigation of the

Farm Ownership loan program and preliminary to investigations of other credit facilities and of credit conditions in South Dakota.

The validity and reliability of the results of this study appear to be restricted by a number of factors. First, the relatively small number of cases which, even though paired, represent such a wide variety of types of farming, managerial ability, and soil and weather conditions that chance variations could easily influence the results more than the factors to which the results were attributed. Second, the extensive and superficial treatment of a relatively large number of factors unduly complicated the study without necessarily adding materially to the quality of the results. Third, non-randomness of the samples precluded applying statistical techniques to determine the significance of the results.

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APPENDIX A

Director, Experiment Station
South Dakota State College
Brookings, South Dakota

Attention: Dr. Max Myers,
Head of Agricultural Economics Department

Dear Sir:

Pursuant to preliminary arrangements informally made in conversation and correspondence between Mr. Wickens of the Brookings Institution and Dr. Myers, this letter, when acknowledged and approved by the appropriate authorities of South Dakota State College, confirms the understanding thus reached, including the following principal provisions:

1. The South Dakota State College, Agricultural Economics Department, with Dr. Max Myers as project leader, and Mr. C. M. Johnson as a graduate assistant, will conduct a study and analysis of the Farmers Home Administration in South Dakota, including its Farm Ownership Loan Program.

2. Objectives of this study are to accumulate and analyze evidence on:
   a. The comparative numbers of farms for which ownership was acquired by loan recipients from this farm ownership program, and by non-recipients during the same period of time.

   b. The comparative value and condition of farms and the amount and terms of financing of farms purchased through Farmers Home Administration loans and of farms purchased by other means.

   c. The cost of the Farmers Home Administration:
      (1) For farms purchased
      (2) For administration and supervision
      (3) Other costs

c. Other tangible and intangible economic and social advantages and disadvantages to loan recipients from the Farmers Home Administration program and comparison with advantages and disadvantages to non-recipient farm buyers and to others and the public.

3. The Brookings Institution will:

(a) provide $1,000 to be forwarded to the South Dakota State College Experiment Station as requested by the latter,

(b) make available the services of David L. Wickens for assistance in planning the study, occasional consultation on technical matters connected with the project, and for utilization of the results.

4. Publication of the results of this study may be done by either party --provided only that the other party shall have the privilege of determining whether and in what manner its name shall be mentioned in connection with such publication.

Agricultural Economics Department
South Dakota State College
Project Statement

Sub-project D to Research Project No. 166

(Under memorandum of Understanding between South Dakota Agricultural Experiment Station and the Brookings Institution, dated January 1, 1952.)

Title: An Analysis of the Farmers Home Administration Farm Ownership Loan Program in South Dakota.

Objectives:

The objectives of this study are to accumulate and analyze evidence on:

(a) The comparative rate of capital accumulation by the Farmers Home Administration Farm Ownership Loan Recipients with what it would have been had they pursued other alternatives and with that of non-recipients having similar circumstances and characteristics who did pursue other alternatives.

(b) The public cost in administering the Farmers Home Administration Farm Ownership Loan Program relative to the value of the gains engendered by the program as determined by the increased long-term productive capacity of both the owner-operator and the farm unit.

(c) The other tangible and intangible social and economic costs and benefits to the individual loan recipient from this farm ownership program.

Descriptive data concerning the Farmers Home Administration Program in South Dakota will be accumulated in the process of attaining the objectives for this study.

Reasons for making the study: (Omitted. See Thesis Chapter I.)

Previous work: (Omitted. See Thesis Chapter I.)

General procedure: (Omitted. See Thesis Chapter II.)

Effective date: January 1, 1952

Probable duration: Ten months

Financial support:

The Brookings Institution will support this project to the extent of $1,000.00 for a ten month period.

Fiscal Year 1951 - 1952

	South Dakota State College Experiment Station	Brookings Inst. Washington, D. C.
Salaries	$200	$1,000
Maintenance, including field expense	600	---
Use of facilities	200	---
	$1,000	$1,000

Personnel: Max Myers project leader, with C. M. Johnson as a graduate assistant.

Institutional units involved: The Agricultural Economics Department of South Dakota State College and the South Dakota State College Experiment Station.

Cooperation: The project at this station will be done in cooperation with the Brookings Institution of Washington, D. C., according to the terms of Memorandum of Understanding dated January 1, 1952.

Signatures:

Submitted: Recommended:

Project Leader

Head of Agr. Econ. Dept.

Approved:

Director, Experiment Station
South Dakota State College

Representative, Brookings Institution,
Washington, D. C.

INFORMATION SCHEDULE
SOCIAL AND ECONOMIC PROGRESS
IN FARM OWNERSHIP
1940-1951

Schedule No.________Date________

I. IDENTIFICATION AND PERSONAL INFORMATION

1. Name____________________________. 2. County______________________

3. Mailing Address______________. 4. Economic Area______________

5. Legal Description and Location
   of Farm rented in 1939______________________________________

6. Legal Description and Location
   of Farm bought in 194_ _____________________________________

7. Legal Description and Location
   of Farm rented or owned in 1951______________________________

8. Age of Operator in 1951_________________. Wife_______________

9. Nationality of Operator_________________. Wife_______________

10. Education of Operator___________________. Wife_______________

11. Church Preference of Operator___________. Wife_______________

12. Total Number of Children___; Number at home in 1940________;
    1945________; 194__ ________; 1951________.

13. Years of Farm Experience as: Farm Laborer____________years;
    Tenant Farmer________years; Owner before 1940________years.

II. THE FARM	1940	1945	194_	1951
1. Acres Rented				
2. Type of Rent Paid				
3. Acres Owned				
4. Land Use: Acres in Crops				
5. Type of Farming				

III. FINANCIAL STRUCTURE

A. Financial Statement

1. Assets	1940	1945	194_	1951
Land and Buildings				
Feed and Supplies				
Productive Livestock				
Workstock and Equipment				
Household Furnishings				
Cash, Bonds, etc.				
TOTAL ASSETS				
2. Liabilities				
Land Debt				
Chattel Debt				
Other Debts				
TOTAL LIABILITIES				
3. NET WORTH				

B. Mortgage: Mortgagee ____________

Interest Rate ____________ Annual Installment ____________

Terms ____________

C. Sources and Uses of Farm Income	1940	1945	194_	1951
1. Sources of Income				
Crops				
Dairy Products				
Eggs and Poultry				
Hogs				
Cattle				

Government Payments ______

Off Farm Employment ______

Other ______

Cash on Hand ______

TOTAL ______

2. Uses of Farm Income

Farm Operating Expenses ______

Family Living Expenses ______

FHA Debt Retirement ______

Non-FHA Debt Retirement ______

Capital Goods Purchased ______

Cash, etc. ______

TOTAL ______

IV. COMMUNITY PARTICIPATION

	1940 Membership	1951 Membership
1. Farm Organization		
a		
b		
c		
2. Farm Cooperatives		
a		
b		
c		
3. Farm Associations		
a		
b		
c		
4. Veterans Organizations		
a		
b		
4a. Community and Fraternal Organizations		
a		
b		
c		

	1940 Membership	1951 Membership
5. Church		
a		
b		
c		
6. Public Offices		
a		
b		
c		
d		

V. LEVEL OF LIVING	1940	1951
1. Electricity:		
a. In House		
b. In Out Buildings		
2. Running Water in House		
3. Kitchen Sink with Drain		
4. Hot Water in House		
5. Standard Bathroom (three pieces)		
6. Electric or Gas Cook Stove		
7. Electric Sewing Machine		
8. Electric Washing Machine		
9. Electric Iron		
10. Electric Refrigerator		
11. Deep Freeze		
12. Use of Commercial Locker		
13. Central Heating		
14. Telephone		
15. Radio		
16. Car (less than three years old)		
17. Tractor (less than three years old)		
18. Weekly Newspaper		
19. Daily Newspaper		
20. Farm Magazine		
21. Family Protection, Amount of		
a. Life Insurance		
b. Term Insurance		
c. Health & Hospital Insurance		
d. Mortgage Insurance		
e. Automobile Insurance		
f. Fire & Windstorm Insurance		
g. Crop Insurance		

VI. FARM MANAGEMENT PRACTICES

	1940	1951
1. Crop Production Practices		
*a. Improved Seed Varieties		
*b. Seed Grain Preparation		
*c. Control of Noxious Weeds		
*d. Use of Hybrid Seed Corn		
*e. Pasture Rotation & Management		
*f. Plowing under all-crop Residues		
2. Soil Management Practices		
*a. Legumes in Rotation		
*b. Use of Barnyard Manure		
*c. Use of Commercial Fertilizers		
*d. Erosion Control		
1. Contour and strip farming and terraces where needed		
2. Grassed Waterways		
3. Early fall subsurface tillage (stubble-mulch plowing)		
3. Livestock Production Practices		
a. Feeding Practices		
*1. Balanced Rations		
2. Silage Feeding		
3. Feed according to milk Production		
4. Self feed or adequate feed space		
5. Good quality hay		
b. Breeding Practices		
*1. Purebred sires		
2. Selection practices		
3. Planned Cross Breeding		
4. Sire testing		
5. Artificial Insemination		
c. Disease Control		
*1. Vaccination for contagious diseases		
*2. Control of External Parasites		

VII. RELATED QUESTIONS

	Yes	No	Don't Know
1. Do you plan to:			
a. Continue farming as an occupation?			
b. Continue farming as a renter?			

	Yes	No	Don't Know
c. Remain on the farm you have purchased for the rest of your life?			
d. Make any long-range improvements on your farm?			
e. Leave the farm to your sons or heirs by will?			
2. Do you, at the present time, keep:			
a. A record of farm income and expenses?			
b. A record of farm income, expenses and inventory?			
c. A record of farm income, expenses inventory and production?			

3. Did you obtain credit from the following credit agencies: If so, how much?	1940	1951
a. Bank		
b. Production Credit Association		
c. National Farm Loan Association		
d. Farm Security of Farmers Home Adm. Credit		
(1) Production and Subsistence Loans		
(2) Disaster Loans		
(3) Other		
e. Merchants (Feed, Seed, & Machinery)		

4. Have you been able to obtain adequate credit for your farming operations?

Yes__________ No__________

a. If not, what credit was needed?

b. What changes would you have made in your farming operations had adequate credit been available to you?

5. How may times per year did the landlord or loan supervisor visit your farm on official business?__________

6. What farming practices were recommended to you by the Loan Supervisor or landlord?

Practice	Adopted		
	Yes	No	
a			
b			
c			
d			
e			
f			

7. Did you have any difficulties in meeting your scheduled land mortgage debt payments? Yes________ No______

a. If so, what difficulties?

b. What was done to meet these difficulties?

8. What suggestions would you make for improving the FHA Farm Ownership Program?

APPENDIX C

TABLE I. SCHEDULE OF PRICES EMPLOYED IN VALUING FEED, SEED, AND LIVESTOCK ON CLIENT AND CONTROL GROUP FARMS AS OF JANUARY 1, 1940 and DECEMBER 31, 1951

Inventory Item	Unit	1940	1951
		Dollars	Dollars
Feed and Seed			
Corn	Bu.	.50	1.00
Wheat	Bu.	.70	2.00
Oats	Bu.	.20	.50
Barley	Bu.	.30	1.00
Rye	Bu.	.30	1.50
Flax	Bu.	1.30	3.50
Wild Hay	Ton	2.00	10.00
Tame Hay	Ton	4.00	15.00
Livestock 1/			
Cows	Per Head	50-100	200
Young Stock	Per Head	20-30	75-150
Ewes	Per Head	10-20	20-30
Sows	Per Head	10-20	40-60
Horses	Per Head	50-100	50-100
Hens	Per Head	.50	.50

1/ A range of prices for most types of livestock was employed to allow for quality and size variations. The respondent made the decision of what price within the range was applicable to his livestock.

TABLE II. AVERAGE ASSETS, LIABILITIES, AND NET WORTH CLIENT AND CONTROL GROUPS, 1940 and 1951

Item	Client Group		Control Group	
	1940	1951	1940	1951
Number of Cases	28	30	28	29
ASSETS:				
Land & Buildings	$7,423	$13,777	$1,446	$11,766
Feed & Supplies	531	3,158	810	2,908
Livestock	1,916	7,566	1,904	6,872
Equipment	1,166	8,304	1,478	6,498
Cash, etc.	152	3,718	16	3,267
TOTAL	$11,188	$36,523	$5,654	$31,311
LIABILITIES:				
Mortgage Debt	$7,393	$ 979	$1,232	$ 1,570
Chattel Debt	246	134	480	597
Miscellaneous Debt	420	515	336	337
TOTAL	$8,059	$1,628	$2,048	$ 2,504
NET WORTH	$3,129	$34,895	$3,606	$28,807

TABLE III. AVERAGE ASSETS, LIABILITIES, AND NET WORTH FOR THE CLIENT AND CONTROL GROUPS IN EASTERN SOUTH DAKOTA, 1940 and 1951

Item	Client Group		Control Group	
	1940	1951	1940	1951
Number of Cases	15	15	14	14
ASSETS:				
Land & Buildings	$7,872	$12,934	$1,493	$8,729
Feed & Supplies	578	2,484	787	2,325
Livestock	1,836	4,246	1,334	5,218
Equipment	1,216	6,690	1,204	6,132
Cash, etc.	210	3,401	32	2,298
TOTAL	$11,712	$29,755	$4,850	$24,702
LIABILITIES:				
Mortgage Debt	$7,816	$1,411	$1,136	$ 992
Chattel Debt	234	187	467	486
Miscellaneous Debt	284	831	205	220
TOTAL	$8,334	$2,429	$1,808	$1,698
NET WORTH	$3,378	$27,326	$3,042	$23,004

TABLE IV. AVERAGE ASSETS, LIABILITIES, AND NET WORTH FOR THE CLIENT AND CONTROL GROUPS IN CENTRAL SOUTH DAKOTA, 1940 and 1951

Item	Client Group		Control Group	
	1940	1951	1940	1951
Number of Cases	13	15	14	15
ASSETS:				
Land & Buildings	$6,905	$14,620	$1,400	$14,601
Feed & Supplies	477	3,832	834	3,451
Livestock	2,010	10,885	2,474	8,416
Equipment	1,107	9,920	1,750	6,840
Cash, etc.	86	4,035	0	4,170
TOTAL	$10,585	$43,292	$6,458	$37,478
LIABILITIES:				
Mortgage Debt	$6,905	$ 547	$1,328	$2,109
Chattel Debt	261	80	493	699
Miscellaneous Debt	577	200	468	447
TOTAL	$7,743	$ 827	$2,289	$3,255
NET WORTH	$2,842	$42,465	$4,169	$34,223

TABLE V. AVERAGE ASSETS, LIABILITIES, AND NET WORTH FOR FULL OWNERS IN THE CLIENT AND CONTROL GROUPS, 1940 and 1951

Item	Client Group		Control Group	
	1940	1951	1940	1951
Number of Cases	17	18	10	10
ASSETS:				
Land & Buildings	$7,496	$12,499	$3,140	$15,412
Feed & Supplies	518	2,594	598	1,830
Livestock	2,007	5,750	2,160	5,350
Equipment	1,232	6,911	1,460	5,260
Cash, etc.	122	4,241	20	2,378
TOTAL	$11,375	$31,995	$7,378	$30,230
LIABILITIES:				
Mortgage Debt	$7,451	$ 965	$3,040	$1,900
Chattel Debt	303	156	620	759
Miscellaneous Debt	305	192	200	300
TOTAL	$8,059	$1,313	$3,860	$2,959
NET WORTH	$3,316	$30,682	$3,518	$27,271

TABLE VI. AVERAGE ASSETS, LIABILITIES, AND NET WORTH FOR PART OWNERS IN THE CLIENT AND CONTROL GROUPS, 1940 and 1951

Item	Client Group		Control Group	
	1940	1951	1940	1951
Number of Cases	11	12	14	15
ASSETS:				
Land & Buildings	$7,310	$15,694	$ 650	$12,472
Feed & Supplies	552	4,004	801	3,765
Livestock	1,777	10,289	1,955	8,860
Equipment	1,064	10,396	1,632	7,230
Cash, etc.	198	2,933	18	3,504
TOTAL	$10,901	$43,316	$5,056	$35,831
LIABILITIES:				
Mortgage Debt	$7,303	$1,000	$ 293	$1,769
Chattel Debt	160	100	517	647
Miscellaneous Debt	597	1,000	407	418
TOTAL	$8,060	$2,100	$1,217	$2,834
NET WORTH	$2,841	$41,216	$3,839	$32,997

TABLE VII. AVERAGE ASSETS, LIABILITIES, AND NET WORTH FOR FULL TENANTS IN THE CONTROL GROUP, 1940 and 1951

Item	Control Group	
	1940	1951
Number of Cases	4	4
ASSETS:		
Land & Buildings	--	--
Feed & Supplies	$1,375	$2,387
Livestock	1,085	3,224
Equipment	975	6,850
Cash, etc.	--	4,600
TOTAL	$3,435	$17,061
LIABILITIES:		
Mortgage Debt	--	--
Chattel Debt	--	--
Miscellaneous Debt	$ 425	$ 125
TOTAL	$ 425	$ 125
NET WORTH	$3,010	$16,936

TABLE VIII. AVERAGE INCOME AND EXPENSE FOR THE CLIENT AND CONTROL GROUPS, 1940 and 1951

Item	Client Group 1940	Client Group 1951	Control Group 1951
Number of Cases	26	29	30
Income:			
Crop	$306	$3,431	$3,399
Dairy	310	489	458
Poultry	296	573	395
Swine	428	1,787	1,239
Cattle	349	2,565	2,529
AAA Payments	110	66	62
Off Farm	116	219	201
Miscellaneous	386	425	581
Total	$2,301	$9,555	$8,864
Use of Income:			
Farm Operating Expense	$940	$4,301	$4,472
Family Living Expense	630	2,327	2,045
Mortgage Debt Payments	183	139	126
Other Debt Payments	219	345	360
Purchase of Capital Goods	270	2,255	1,730
Cash Carry-Over	+59	+188	+131
Total	$2,301	$9,555	$8,864

TABLE IX. AVERAGE INCOME AND EXPENSE FOR THE CLIENT AND CONTROL GROUPS IN EASTERN SOUTH DAKOTA, 1940 and 1951

Item	Client Group 1940	Client Group 1951	Control Group 1951
Number of Cases	15	14	15
Income:			
Crop	$302	$3,366	$2,477
Dairy	306	787	473
Poultry	251	601	373
Swine	508	1,872	1,081
Cattle	370	1,684	2,006
AAA Payments	108	80	65
Off Farm	51	178	126
Miscellaneous	298	168	616
Total	$2,194	$8,736	$7,217
Use of Income:			
Farm Operating Expense	$791	$3,284	$3,532
Family Living Expense	623	2,310	1,984
Mortgage Debt Payments	257	162	148
Other Debt Payments	146	328	104
Purchase of Capital Goods	276	2,528	1,058
Cash Carry-Over	+101	+124	+391
Total	$2,194	$8,736	$7,217

TABLE X. AVERAGE INCOME AND EXPENSE FOR THE CLIENT AND CONTROL GROUPS IN CENTRAL SOUTH DAKOTA, 1940 and 1951

Item	Client Group		Control Group
	1940	1951	1951
Number of Cases	11	15	15
Income:			
Crop	$312	$3,491	$4,321
Dairy	316	212	443
Poultry	357	548	417
Swine	318	1,707	1,397
Cattle	320	3,387	3,051
AAA Payments	113	53	59
Off Farm	204	257	277
Miscellaneous	508	664	546
Total	$2,448	$10,319	$10,511
Use of Income:			
Farm Operating Expense	$1,144	$5,250	$5,412
Family Living Expense	641	2,343	2,107
Mortgage Debt Payments	81	118	104
Other Debt Payments	320	360	616
Purchase of Capital Goods	261	2,000	2,401
Cash Carry-Over	+1	+248	-129
Total	$2,448	$10,319	$10,511

TABLE XI. AVERAGE INCOME AND EXPENSE FOR FULL OWNERS IN THE CLIENT AND CONTROL GROUPS, 1940 and 1951

Item	Client Group 1940	Client Group 1951	Control Group 1951
Number of Cases	16	17	10
Income:			
Crop	$320	$2,900	$2,829
Dairy	327	577	669
Poultry	252	536	608
Swine	361	1,250	949
Cattle	276	2,411	1,774
AAA Payments	142	75	69
Off Farm	72	140	149
Miscellaneous	443	466	668
Total	$2,193	$8,355	$7,715
Use of Income:			
Farm Operating Expense	$934	$3,692	$3,808
Family Living Expense	580	2,181	2,202
Mortgage Debt Payments	160	98	175
Other Debt Payments	195	136	546
Purchase of Capital Goods	254	2,014	858
Cash Carry-Over	+70	+234	+126
Total	$2,193	$8,355	$7,715

TABLE XII. AVERAGE INCOME AND EXPENSE FOR PART OWNERS IN THE CLIENT AND CONTROL GROUPS, 1940 and 1951

Item	Client Group 1940	Client Group 1951	Control Group 1951
Number of Cases	10	12	15
Income:			
Crop	$284	$4,183	$4,340
Dairy	283	364	268
Poultry	367	626	302
Swine	535	2,548	1,566
Cattle	465	2,782	3,536
AAA Payments	59	53	78
Off Farm	186	332	280
Miscellaneous	296	367	653
Total	$2,475	$11,255	$11,023
Use of Income:			
Farm Operating Expense	$951	$5,163	$5,593
Family Living Expense	712	2,535	2,222
Mortgage Debt Payments	218	197	136
Other Debt Payments	259	641	316
Purchase of Capital Goods	295	2,596	2,634
Cash Carry-Over	+40	+123	+122
Total	$2,475	$11,255	$11,023

TABLE XIII. AVERAGE INCOME AND EXPENSE FOR FULL TENANTS IN THE CONTROL GROUP, 1951

Item	Control Group 1951
Number of Cases	5
Income:	
Crop	$1,711
Dairy	607
Poultry	249
Swine	836
Cattle	1,017
AAA Payments	0
Off Farm	70
Miscellaneous	195
Total	$4,685
Use of Income:	
Farm Operating Expense	$2,437
Family Living Expense	1,202
Mortgage Debt Payments	0
Other Debt Payments	120
Purchase of Capital Goods	758
Cash Carry-Over	+168
Total	$4,685